Austria	Sch30	Indonesia	Rp3500	Pakistan	Rs35
Bahrain	Din1.000	Iran	Rls210	Philippines	Pes45
Belgium	BFr65	Israel	Shk6.50	Poland	Zl 18,000
Cyprus	C£1.00	Italy	L2500	Portugal	Esc180
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr14	Korea	Won 2500	S.Arabia	SR10.00
Egypt	E£4.00	Kuwait	Fils.600	Singapore	S$4.10
Finland	FM16	Lebanon	L£1,250	Spain	Pta250
France	FFr8.00	Lux	LFr60	Sweden	SKr14
Germany	DM3.20	Morocco	MDh11	Switz	SFr3.00
Greece	Dr250	Neth	Fl 3.50	Thailand	Bt50
Hungary	Ft192	Nigeria	Naira20	Tunisia	Din1.000
Iceland	IKr180	Norway	NKr15.00	Turkey	L5000
India	Rs25	Oman	OR1.20	UAE	Dh9.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Thursday February 13 1992

D 8523A

SUDAN
Political trends are worrying Egypt
Page 4

World News

Britain to halt CFC output by end of 1995

Britain yesterday followed the US by announcing it would stop making ozone-destroying chemicals by the end of 1995. The decisions come amid alarming evidence of damage to the ozone layer over the northern hemisphere.

In Bonn, German environment minister Klaus Töpfer urged joint US and EC efforts to bring a world ban on such chemicals forward to 1995. The EC has set a 1997 deadline for ending production while the Montreal Protocol commits industrial countries to halting output by the year 2000. Page 9

Police shoot militants
Pakistani police killed up to 12 people people when they fired on Kashmiri militants who were trying to cross into Indian-ruled Kashmir, the militants said. Page 4

Boat people go back
Vietnam accepted back 36 boat people deported from Hong Kong. Picture, Page 4

Soccer official guilty
A Johannesburg court sentenced former National Soccer League official Abdul Bhamjee to 33 years in prison for stealing more than R7m ($2.3m) from the South African organisation.

UN may be called in
Azerbaijan president Ayaz Mutalibov said he would consider asking for UN peacekeepers in the disputed area of Nagorno-Karabakh if no other solution were found to the row with Armenia about the enclave.

Cargo for auction
London auction house Christie's is to sell a 300-year-old cargo of Chinese porcelain which sank off the coast of Vietnam. Proceeds of the Amsterdam auction will go to the Vietnamese government.

Aids toll rises
Over a million more people have become infected with the Aids virus since last April, the World Health Organisation said. The WHO forecasts that between 30m and 40m people will have HIV by the end of the century.

Anti-mafia fund
Italy's lower house approved a fund for businessmen whose property is attacked because they refuse to pay protection money to the Mafia. Traders will receive up to $415,000 after an attack if they help identify the gangsters involved.

Peru attack toll
Three people died in Peru after a car bomb attack on the US ambassador's home in the capital, Lima. Police blamed the attack on Maoist Sendero Luminoso guerrillas.

Japan 'a trade threat'
Seven out of 10 Americans see Japan as a trade threat and would back protectionist measures, according to an opinion poll in the Los Angeles Times. Buchanan attacks 'unfair' subsidies, Page 6

Man cleared of IRA plot
Northern Ireland bricklayer William McKane, 25, was cleared in London of involvement in an IRA murder plot in mainland Britain. The jury is still considering verdicts on other charges.

Iced wings caused crash
Ice on the wings caused the crash of an SAS McDonnell Douglas jet which came down soon after take off from Stockholm in December, a Swedish government commission said.

Wrath of God
Former Philippines first lady Imelda Marcos, campaigning to become president, said God had unleashed floods, volcanoes and and earthquakes against the Philippines because he was angry with President Corazon Aquino.

Business Summary

Branson poised for Virgin Music deal

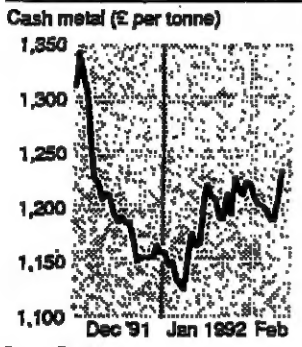
Richard Branson is in advanced talks to sell all or part of Virgin Music Group, the world's largest independent record label. He said last night: "We have had some considerable approaches at a level I wouldn't dismiss out of hand."

Goldman Sachs, which is handling the valuation, has had discussions with several bidders this year including German publishing giant Bertelsmann, and Thorn EMI, the UK electronics and entertainment group. Page 19

BRITISH Aerospace, the aviation and defence equipment manufacturer, is to cut 2,350 jobs at five aircraft plants, because of a decline in defence contracts and recession in the airline business. Page 18

COPPER broke out of its recent range on the LME after a surge on Comex at midday took March above $1 a lb on technical buying. Three-month metal on the LME broke through resistance at $2,200 a tonne, and further gains are seen if prices hold above $2,210. Commodities, Page 26

Copper
Cash metal (£ per tonne)



Source: Datastream

NEWS Corporation, international media group, overcame losses in BSkyB satellite TV operation in Europe and Ansett Transport group in Australia to lift six-monthly net earnings 38 per cent to A$252.2m (US$190m). Page 19; Lex, Page 18

CAMERA makers in Japan are waiting to hear from Honeywell, the US controls manufacturer awarded $96m for Minolta's alleged violation of autofocus technology patents. Honeywell may pursue actions against 15 other camera manufacturers, including Canon, Nikon and Fuji Photo Film. Page 19

AT&T signed a multi-million-dollar joint venture with St Petersburg-based Dalnya Svyaz to provide digital transmission equipment to improve long-distance phone links in the former Soviet Union. Page 8

INVESTMENT: An asset management company has been launched in Washington by two former top World Bank officials to respond to investment opportunities in developing countries, eastern Europe and the former Soviet Union. The company aims to establish a $200m-$250m fund. Page 6

INDIA started easing the restrictions on imports that were introduced last March during a balance of payments crisis. Page 4

CBS, US media group, unveiled an after-tax fourth quarter profit of $9.4m, against a $156m loss previously. The company stayed in the red for the year, losing $85.8m, against a profit of $110.8m the year before.

JAPANESE machinery orders plunged in December to their lowest level since February 1988, adding to growing evidence that the economy is slowing sharply. Page 4

REUTERS Holdings, financial information and news company, reported a 6.3 per cent increase in annual pre-tax profits to £340.3m ($610m), despite weak trading conditions. Page 19; Lex, Page 18

UK attacks plan to raise revenue by a third over next five years

Delors tries to head off row over EC budget

By David Gardner in Strasbourg and Robert Mauthner and Alison Smith in London

THE European Commission's plans to raise EC budget revenue by a third over the next five years were "the minimum necessary" to make a success of the Maastricht treaty, Mr Jacques Delors, Commission president, said yesterday.

Mr Delors made a strenuous effort to head off a row over the UK's rebate on its budget payments, and to pre-empt criticism of Commission plans to help industry restructure.

Brussels wants the budget to rise from Ecu66.6bn ($85.9bn) this year to Ecu87.5bn in 1997 at 1992 prices, to accommodate greater spending on regional aid, foreign policy, farm reform and an increased research effort to sharpen industrial competitivity.

In London, Mr Douglas Hurd, UK foreign secretary, criticised Mr Delors for "bidding for more than is justified".

Mr Delors, presenting the 1993-97 plan to the European Parliament, recalled that the first five-year plan, agreed in 1988, had made possible the achievements of the single market, more even EC development through regional spending, and financial stability. At least an equal effort was needed for European union to succeed. "We must implement the agreement of Maastricht."

Anticipating resistance to the size of the increase, Mr Delors reminded the 12 heads of government that "half of the rise comes about because of political commitments you undertook, and the other half you would have to spend anyway" if the EC did not exist.

At Maastricht in December, the 12 agreed to increase substantially fiscal transfers to the four poorest member states – Spain, Ireland, Portugal and Greece. This accounts for half the proposed Ecu21bn increase.

The other three priorities share the rest, but if member states were acting individually, the cost of helping eastern Europe, agriculture and industrial restructuring "would still have to be met," Mr Delors said.

However, Mr Hurd said the UK did not believe "there is a case for increasing the resources ceiling, as it is called, available to the Community over the next five years because there is room for growth within the ceiling.

"The amount available to the Community goes up with the growth in the economies of the nation states and there is room for some increases without raising the ceiling."

Mr Delors confirmed that the UK rebate, arranged in 1985 but which Germany is questioning, would not be re-examined until after the British general election, due at the latest by July. "The Commission does not intend to upset that process through its proposals."

Attempting to play down prospects of an intra-EC row over payments, Mr Delors claimed "I didn't even give [the rebate] five minutes of my thought." He added that the heads of government could be relied upon to know what they were signing up to at Maastricht, and to tot up accurately the benefits of being inside a more integrated Community.

UK officials stressed that any change in the rebate arrangement would require the unanimity of the 12, so that Britain could veto it.

Mr Bruce Millan, commissioner in charge of regional policy, said: "There's something in this package for everyone."

Mr Delors defended his industrial restructuring plans, insisting "we are not talking about French interventionism". There would be "equality of access" to the new attempt to make research more responsive to industrial innovation.

Hidden meanings, Page 2; EC external action, Page 3; Funding for EC research, Page 14; Editorial Comment, Page 16

Jacques Delors: "Maastricht deal must be implemented"

UK to examine Steetley-Tarmac deal

By Andrew Hill in Brussels and Andrew Taylor in London

THE European Commission said yesterday it would allow the UK government to examine the proposed merger of Steetley and Tarmac's brick, clay tile and concrete businesses.

It is the first time Brussels has given up its right to investigate a large EC takeover since new rules on merger investigations came into force.

EC competition lawyers said the decision would help clarify the use of the specific clause in the 1990 regulations which gives national merger control bodies the right to ask for jurisdiction over cases being examined in Brussels.

Sir Leon Brittan, the competition commissioner, stressed the "very exceptional circumstances" of the Tarmac-Steetley joint venture. Officials played down the significance of the Commission's decision for future EC mergers, which they said would be dealt with on a case-by-case basis.

The reference of the merger to British authorities could have an important bearing on the outcome of a rival £600m ($1.1bn) bid for the whole of Steetley by Redland, another large British building materials group.

The UK Office of Fair Trading is considering whether to recommend an investigation of the Redland bid by the UK Monopolies Commission. It will now also consider the Tarmac-Steetley joint venture plans.

Sir Leon said that had he harboured any doubts about referring the Tarmac-Steetley deal back to London, they would probably have been dispelled by Redland's bid. "It is much better for related cases to be dealt with by one regulatory authority if at all possible," he said.

A preliminary European Commission investigation into the joint venture had been triggered automatically because of the large size of the combined EC turnover, including UK sales, of Tarmac and Steetley.

The Commission said the deal would raise "significant competition issues" in the UK market for bricks and clay tiles and threatened to create a dominant position for Steetley-Tarmac in both sectors.

The merged group's markets, however, would be limited to Britain, and, in the case of bricks, to a region within 70 miles of the companies' factories, minimising the merger's effect on the European market, the Commission said.

Mr Peter Lilley, UK trade secretary, now has to decide whether to order a full investigation by the MMC or clear one or both proposals.

A third option under the 1989 Companies Act would be to require the companies to give undertakings to dispose of businesses which would give them an overbearing market position.

On the stock market, Redland shares fell 1p to 464p (1.8c to 839c), Steetley gained 4p to 344p and Tarmac was up ½p to 119½p.

Lex, Page 18

Cable and Wireless applies to run US telecom link

By Hugo Dixon in London

CABLE and Wireless has asked the US authorities for permission to run its own integrated international telecommunications network from the US to the UK and Hong Kong.

The UK-based telecommunications group wants to link Cable and Wireless Communications, its US subsidiary, with Mercury Communications and Hong Kong Telecom, its British and Hong Kong subsidiaries.

Its licence application, filed with the Federal Communications Commission (FCC) in December but not revealed by the company, has already run into opposition from competitors.

Sprint, the long-distance US carrier, has argued that the licence should not be granted unless its own application last month to provide international services from the UK is approved.

The UK government looks inclined not to grant Sprint such a licence, raising the prospect that the introduction of competition across the Atlantic could become caught up in a trade dispute.

Syncordia, a subsidiary of BT, Mercury's dominant UK rival, has told the FCC that approval of C and W's application should depend on whether other companies are allowed to compete in Hong Kong with Hong Kong Telecom, which holds a monopoly on international services in the British colony.

Meanwhile, American Telephone and Telegraph (AT&T) and MCI, the two largest US long-distance carriers, want tough conditions imposed to prevent Cable and Wireless from distorting competition in the US by using its privileged position in foreign markets.

The US-UK route looks set to be the main battleground as international telecommunications opens up to competition. It is the busiest intercontinental route in the world, and some experts have predicted that call charges could drop by two thirds to about 30 cents a minute if there was full competition.

C and W's application and the response by its competitors are the latest moves in an elaborate game in which the world's largest telecommunications groups try to turn themselves from national monopolies into globally competitive groups. Until last month, C and W was negotiating to create a global alliance with AT&T.

Traditionally, telecommunications companies have owned international facilities on a co-operative basis with the carrier at the other end of the route. C and W already provide international services out of the US as a "re-seller", using the facilities owned by AT&T and others.

Its application to run end-to-end networks has concerned competitors, which fear C and W could gain an unfair advantage by being able to operate both ends of a cable or satellite link.

AT&T joint venture, Page 8

Bush starts re-election bid with familiar message

By George Graham in Washington

PRESIDENT George Bush yesterday sought to restore his electoral fortunes and counter his main Republican rival as he officially launched his bid for re-election.

Asking his supporters for four more years to complete the job he took over in 1989, he told an invited audience of supporters in Washington: "I came here to do important work and I finish what I start."

The president's candidacy has been no secret. He has already raised over $11m in campaign funds, and his name is on primary ballots in 26 states.

But yesterday's declaration was more than a formality. It reflected a change of gear by Mr Bush, who only a few weeks ago had expected to cruise triumphantly through next Tuesday's New Hampshire primary but is now seeking to restore his fortunes in the recession-battered north-eastern state.

At the start of this year, Mr Bush's campaign managers expected to leave most of the New Hampshire campaigning to vice-president Dan Quayle and other members of the Bush cabinet. Faced with the prospect of a large protest vote for the right-wing commentator Mr Patrick Buchanan, this programme has been beefed up with presidential visits yesterday and this weekend, as well as a blizzard of radio and television interviews.

Different polls give Mr Buchanan between 22 and 28 per cent of the vote, not enough to seriously unsettle the Bush campaign.

Some Republicans are worried, however, by the appearance in some opinion polls of Mr Jim Lennane, a Republican businessman who founded a computer company in California. They fear he could prove a more palatable alternative for protest voters who find Mr Buchanan's hanging and flogging rhetoric too strident and so further erode Mr Bush's vote.

While Mr Buchanan is thought unlikely to do enough damage to Mr Bush to force him to withdraw – as Senator Eugene McCarthy did to President Lyndon Johnson in 1968 – Mr Bush's political strategists want to eliminate Mr Buchanan from the primaries as soon as possible. If the

Continued on Page 18

Buchanan on the attack, Page 6

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CONTENTS

The saviour of the Serbs is forced to try to save himself

Serbia's president, Slobodan Milosevic, is trying to stave off mounting opposition within his republic by turning his back on the militant nationalists he promoted and who fought his war by proxy.

Page 3

MARKETS

STERLING
New York lunchtime:
$1.7875
London:
$1.7885 (1.8015)
DM2.875 (2.885)
FFr9.7925 (9.7675)
SFr2.5725 (2.565)
Y228.0 (228.5)
£ index 90.9 (91.1)

GOLD
New York Comex Feb
$359.6 (357.8)
London:
$357.1 (356.0)

N SEA OIL (Argus)
Brent 15-day Mar
$18.125 (18.50)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.6075
FFr5.4755
SFr1.4392
Y127.55
London:
DM1.607 (1.5905)
FFr5.475 (5.4225)
SFr1.4365 (1.424)
Y127.55 (126.85)
$ index 63.2 (62.6)
Tokyo close: 127.01

US LUNCHTIME RATES
Fed Funds: $3\frac{13}{16}$%
3-mo Treasury Bills: 3.839%
Long Bond: $102\frac{7}{32}$
yield: 7.8%

STOCK INDICES
FT-SE 100: Yield 4.87
2,523.7 (−13.4)
FT-A All-Share:
1,209.82 (−1.0%)
FT-SE Eurotrack 100:
1136.12 (−1.62)
New York lunchtime:
DJ Ind. Av.
3261.40 (+9.83)
S&P Comp
414.55 (+0.79)
Tokyo: Nikkei
21541.64 (−277.88)

LONDON MONEY
3-month Interbank:
$10\frac{7}{16}$% ($10\frac{3}{8}$)
Liffe long gilt future:
Mar $98\frac{1}{32}$ (Mar $97\frac{13}{16}$)

Soviet Union suffered $14bn capital flight last year

By Anthony Robinson, East Europe Editor

THE former Soviet Union was forced to stop debt repayment to foreign banks last year largely because Soviet enterprises illegally kept at least $14bn, and possibly up to $19bn, in foreign accounts rather than repatriate hard currency at an overvalued exchange rate.

"The combination of a $5bn current account surplus, $2bn in net external borrowing and more than $9bn in sales of gold and foreign exchange suggests large-scale capital flight in 1991. A large part of this was probably by enterprises that were reluctant to remit foreign exchange under the requirement that 40 per cent of hard currency earnings be exchanged at the increasingly overvalued exchange rate of Rbs 1.7 to the dollar", according to the Institute of International Finance (IIF), the Washington-based research group funded by international commercial banks.

In its latest report on the former Soviet economy, the institute says that "monetary tightening to curb capital flight is essential". While noting that Russia has taken the lead in economic reform, it states that the programme "lacks crucial elements, including monetary control".

It warns that "retreat from fiscal adjustment, or a failure to reinforce it with with monetary and structural measures including privatisation, would risk hyper-inflation, further weakness of the rouble, increased capital flight and continued foreign exchange shortages."

The IIF doubts whether a sufficiently comprehensive reform package can be implemented to secure financial support from the IMF even if membership is agreed by spring.

The IIF estimates that the convertible currency debt of the new CIS rose to $61.5bn at the end of 1991 from $59.4bn in October. The now-defunct Soviet state managed to borrow less than $2bn from abroad last year. A rise in official lending from $23.2bn in 1990 to $36.5bn at the end of 1991 was largely offset by repayments to commercial banks. The latter "may have received net repayments of as much as $11.1bn in 1991, of which $7bn was in short-term credit," the report notes.

Net disbursement by non-bank private creditors amounted to a mere $0.4bn after taking into account "at least $1bn in loans collateralised against diamonds". Trade arrears remained "broadly unchanged" at around $4bn to $4.5bn, the report added.

Looking ahead, the IIF warns that the CIS may find it more difficult to raise external credit than the former Soviet Union. "The breakdown of a unified administrative structure will disrupt traditional trade flows ...shortages of material inputs are likely to intensify. Real net material product (NMP) may fall another 15 per cent in Russia... and output may fall... by more than a quarter, in several republics."

In these circumstances, "access to external credit may be more limited in 1992... financing flows may amount to $10bn in 1992, with official creditors providing nearly all new disbursements".

Meanwhile, international institutions are likely to play "only a limited financial role". Credits from the European Bank for Reconstruction and Development (EBRD) are unlikely to be above $50m while it will be difficult for the IMF and World Bank to reach agreement and disburse funds this year, the report concludes.

Swedish PM balks at Volvo buying Procordia

By David Marsh and Robert Taylor in Stockholm

SWEDEN'S prime minister, Mr Carl Bildt, yesterday hit out at Mr Pehr Gyllenhammar, Volvo's executive chairman over the motor group's proposed SKr38.7bn ($6.7bn) acquisition of Procordia, the Swedish food and health care concern.

In a forthright intervention into Sweden's biggest corporate power struggle, Mr Bildt insisted that his government, which has a 42.7 per cent stake in Procordia, opposed the principle of the deal.

"It is not just a question of the price [of the Volvo share offer]. It is a question of getting an industrial structure that we can believe in," he said in an interview.

Declaring that the government was discussing "alternative solutions" to ensure the company's long-term future, Mr Bildt criticised the Volvo chairman's assertiveness. "Mr Gyllenhammar said he was ready to force the deal through against the government. There is no way that can be done."

The government's reaction to the affair, said the prime minister, "illustrated the end of the old Swedish corporatist way of industrial restructuring. Things are different. The deal has clearly demonstrated that."

Commenting on Volvo's preemptive announcement of the takeover two weeks ago, Mr Bildt said: "We do things somewhat differently under this government, and that I think might be one cause of the troubles there have been. They [Volvo] took it for granted that everything they did would be automatically approved of by the government."

Volvo, already the owner of a 42.7 per cent stake in Procordia, has claimed that the link-up would produce industrial benefits, but is understood to be interested above all in access to Procordia's cash flow.

However, Mr Bildt said: "It is difficult to see any synergy effects.... There might be other ways of satisfying their demands for cash flow."

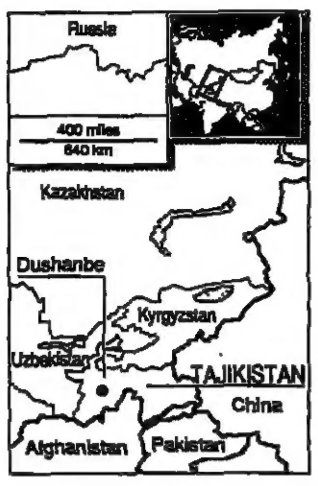
Tajiks search for words to market themselves

Gillian Tett on a republic determined to be heard

FORMER Soviet Tajiks do not have a word for "marketing" in their own language. In the coming months, though, they may acquire one.

In this mountainous corner of the Soviet Union, the Tajik government has embarked on one of the most difficult marketing tasks of all – persuading the international community that remote and beautiful Tajikistan could be a profitable place for western investment and aid programmes.

They have taken the innovative step of establishing their own western-based development agency – the first such agency to have been set up by a former Soviet republic.



The Tajik Development Agency (TDA) is a joint venture between a Tajik commercial bank, a Finnish trade company and the European financial services firm EBC Amro. Based in London with a small, largely western, staff, its brief is twofold: to help the Tajik government identify its development priorities; and to attract, assist and co-ordinate the investors and aid agencies needed for this development.

"I think some western businesses think regions like Tajikistan might be interesting, but they just don't know where to begin.... We are trying to provide an accessible, London-based, structure for them to start with," explains Mr Richard Wilkins, ex-accountant and now a director of TDA.

He admits to considerable problems. The republic is virtually unknown in the west. During the Soviet period, its chief distinction was that its 5m population consistently ranked as the poorest in the Soviet Union. Since independence, it has become infamous as the first republic to have a visible Islamic opposition.

With its leadership still perceived – perhaps incorrectly – as former hardline Communists, it has not appeared a prime candidate for foreign aid. Although, entrepreneurs from nearby Moslem countries are already apparent in the republic, western investment has so far been limited.

According to Mr Wilkins and his colleagues, the opening of the agency has already triggered business interest, particularly among mining companies curious about Tajikistan's rich mineral deposits. The republic produces an estimated 3.5 tonnes of gold annually, has large lead, zinc and silver deposits, and huge hydroelectricity capacity.

The management consultancy firm Coopers & Lybrand Deloitte has been contracted to prise aid out of the EC, the British "know-how" fund and other sources.

Meanwhile, lawyers from the London law firm Berwin Laighton will be going out to the republic to advise on development of a badly-needed western-style legal system. The first English Speaking Union in the former Soviet Union has been set up in the Tajik capital, Dushanbe, to train English speakers.

Although TDA strenuously denies that it is intending to set itself up with exclusive access to Tajikistan's minerals, its position as the official "co-ordinator" of foreign investment to Tajikistan could place it in a controversially powerful position within the republic.

And in an ex-Soviet Union where almost anything is now up for grabs – or dollars – the Tajiks may yet need a word for "monopoly" in their language, as much as they need a word for "marketing".

Ex-German enclave in appeal over free zone

By Leyla Boulton in Moscow

THE FORMER German enclave of Kaliningrad has urged both the Russian government and foreign investors to support its free economic zone, saying this was the territory's only means of survival.

Local government and business representatives from the area, once known as Königsberg, sandwiched between the Baltic Sea and Lithuania, said the Russian government was due soon to approve concrete proposals for special benefits, including lower taxes than in the rest of Russia and an easing of restrictions on foreign capital.

A joint stock company called the Regional Investment-Financial Company, set up by Russian investors with initial capital of Rbs1bn, is spearheading attempts to stimulate investment in the area.

Despite a lack of investment in infrastructure by Moscow and caution among would-be foreign investors from Germany and other countries, Mr Yuri Matochkin, head of the local administration, said he expected the free economic zone to be up and running within the next year or two.

Kaliningrad has a warm water port, a relatively developed transport system, defence plants in need of conversion to civilian uses, and the potential for tourism.

Chancellor Helmut Kohl: immigration stance backed by opinion poll findings

Kohl's immigration stance fuels split within cabinet

By Christopher Parkes in Bonn

CHANCELLOR Helmut Kohl's attempts to build an election platform on the issue of Germany's flood of asylum-seekers resulted yesterday in an unprecedented cabinet split between the CDU/CSU majority and the liberal FDP coalition minority.

But his scheme was given a lift by a government-sponsored opinion poll, conveniently released while the cabinet was at daggers drawn, which showed that most of the population was behind Mr Kohl.

The poll said that although the threat of unemployment was the greatest worry in the east, 47 per cent of west Germans said asylum seekers and immigration were the country's biggest problem. Around 60 per cent of all Germans backed changes to prevent "abuse" of asylum laws.

The rift occurred in a debate on the Schengen Accord, a treaty between Germany and other continental European Community states which will relax internal border controls and tighten restrictions at external frontiers.

While both party groups approved the accord – and the opposition SPD said it would not block it – the coalition partners disgreed on its implications.

Mr Rudolf Seiters, CDU interior minister, proclaimed that the asylum clause in the federal constitution would have to be changed if the treaty were to be fully affective.

At present, he added, 60 per cent of all people seeking asylum in the EC were in Germany. Despite this, and for the first time in the history of the present government, the FDP published a seperate and contradictory post-cabinet statement.

The row followed a CDU/CSU announcement on Tuesday that a constitutional amendment will be tabled within the next two weeks.

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Los Angeles Centre: Phone: (213) 362-2980 Fax: (213) 362-2982

PRIORITY JAPAN

In addition, JDB representatives are speaking at the Financial Times One Day Conference entitled "Establishing a Presence in Japan" on 4th March in London*. The conference has been organised by the Financial Times in association with Priority Japan Campaign.
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Reading between the budget lines

Andrew Hill combs the Community draft text for hidden meanings

OFFICIAL publication of the EC's new budget plans will begin a new round of that traditional Brussels game, Hunt the Nuance, with industry and competition officials leading the chase.

The quarry is the controversial plan to use budget funds to improve industrial competitiveness. The Commission is calling for an annual increase of Ecu3.5bn by 1997 in the amount it spends to help industry adapt to change and increased competition from outside the EC.

THE RISE IN EC SPENDING (Ecu bn)

	1987	1992	1997
Agriculture	32.7	35.3	39.6
Regional aid	9.1	18.6	29.3
Industry & other	1.9	4.0	6.9
Foreign policy	1.4	3.6	6.3
Administration	5.9	4.0	4.0
Reserves	0.0	1.0	1.4
Total	51.0	66.6	87.5

Source: European Community

That money will be channelled through a number of existing programmes: some 40 per cent will be targeted through research and development, 30 per cent through training programmes, and the rest through "trans-European networks" – pan-European infrastructure projects in, for example, the telecommunications and transport sectors.

In outline, this seems relatively uncontroversial. The direction of research policy will be made more responsive to the demands of industry; social funds will be used not only to cure long-term and youth unemployment, but to prevent it – by retraining workers for new tasks; efficient trans-European networks will help the internal market, and should aid cohesion between the rich north and poor south of the Community as infrastructure is improved.

There is even a measure of consensus on this between Brussels' industry and competition camps, often said to be at loggerheads. They agree there are risks inherent in the plan; both sides accept the need for EC research and development programmes to be guided more from the bottom - that is, industry; both say that the developments are an advance for EC industrial policy, although competition officials, unsurprisingly, concede only that the proposals mark a "half-step" forward.

Agreeing an acceptable package has not been easy, however, particularly for Sir Leon Brittan, the competition commissioner, who would have opposed the budget had his fellow-commissioners not made amendments at the 11th hour.

Summing up his concerns, he said: "I would never have agreed had I thought it [the budget] could be a vehicle for an intrusive industrial policy designed to pick winners or prop up lame ducks. I'm finally satisfied that it can't be used for that purpose."

In particular, Sir Leon believes he has fought off the possibility of the Ecu3.5bn being earmarked for a separate "industrial reconversion fund", and has limited the chance that regional funds could be used as instruments of industrial policy.

He and his advisers are also pleased that they have preserved the "horizontal" nature of EC industrial policy, with funds theoretically available across all industrial sectors and the whole Community.

The text makes no reference to specific sectors - such as automobiles, textiles, electronics or defence - which might benefit from the extra cash.

Sections on research and development will refer to backing specific technologies, rather than industries; the training funds should be available through centres or for specified training programmes.

But these may be artificial victories for the competition camp. Senior industry officials claim there was never any intention to set aside a fund, nor to specify the destination of the new money, for example.

As with any piece of Commission prose, the key lies in the interpretation of the text, a task which had begun before the budget was agreed. The direction of the debate is unlikely to please the pro-competition lobby.

On Monday, Mr Martin Bangemann, industry commissioner, pointed out that although specific sectors would not be mentioned in the budget's provisions, it was obvious that certain industries - he singled out cars - could legitimately claim support for retraining workers.

He and his senior officials are pleading for more attention to economic reality and slightly less to what they claim are sometimes inflexible competition rules. Advocates of a robust competition policy argue that too much flexibility could encourage laziness.

As became clear in Strasbourg yesterday, Mr Jacques Delors, Commission president, will also press for full exploitation of the policy. In spite of his protestations, there are still fears that the richer member states - in particular, France and Italy - will be most expert at lobbying for central support.

Industry and competition advocates agree that the debate is far from over. Indeed, it is likely to become even more heated in the coming months, both because the criteria for spending the extra cash have to be thrashed out in Brussels and because the squeals from a recession-hit European industry are probably going to get more strident as the hunters close on their prey.

Cresson survives but suffers from growing discontent

By Ian Davidson in Paris

AS expected, France's conservative opposition parties failed in their attempt this week to bring down the Socialist government of Mrs Edith Cresson, when their censure motion on its handling of the George Habash scandal fell far short of the required parliamentary majority.

But Mrs Cresson's government cannot easily shrug off the political damage caused by the controversy over the ostensibly unauthorised hospitalisation in Paris of the Palestinian leader. The affair has undoubtedly added to the popular discontent with the administration of President Mitterrand.

Winding up the debate with a combative defence of the government's record, Mrs Cresson called on her socialist supporters to mobilise "for the next 400 days", to be ready for the general elections scheduled for the spring of next year. It was a forceful performance, but the critical date for Mrs Cresson's government is not 400 days away, but less than 40, in the local and regional elections of March 22.

At the best of times, the socialists would expect to be handicapped in these elections, weighted in favour of the rural vote and conservative local forces.

But to judge from recent opinion polls, that verdict is likely to be severe. The socialists' share of the vote may slide to below an average of 20 per cent.

If that happens, they could no longer claim to be the largest single party in France. The pressure on President Mitterrand to replace Mrs Cresson with, say, Mr Jacques Delors, President of the European Commission, might then become intense. It might become hard to resist pressure for early general elections.

Socialist support in the Rhône-Alpes region, according to a survey by the BVA polling institute, is likely to fall to 18 per cent, 10 percentage points less than in the previous regional elections of 1986. In the Auvergne region, the socialist vote could drop from 30.8 per cent to 19.5 per cent. In the Ile de France region round Paris, the Socialist vote would drop even further, to 16 per cent, compared with 28.6 per cent in 1986.

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Brussels wants cash for action outside EC

By David Buchan in Brussels

"IF PEACE breaks out in Yugoslavia, or if the Middle East negotiations succeed, the European Community will be called on to contribute massively to reconstruction in those regions", says a senior Community budget official. "But we have no idea when this might be."

The official was illustrating the peculiar budgetary problem for the EC in trying to foresee the unforeseeable five years ahead. Unlike governments which can fine-tune their national budgets year by year, the Community tries to lock itself into five-year plans, the second of which was proposed by the Commission yesterday.

These five-year plans are not set in concrete. The EC's "financial perspectives" for 1988-92 has so far been revised five times through a cumbersome and time-consuming procedure. But all these revisions were prompted by foreign policy demands on the Community, arising from the Gulf war, Kurdish refugees' plight, changes in eastern Europe and the former Soviet Union.

These demands have led the Commission to propose:

- *Creation of a separate major* budget category for EC external action. Up to now cash for this has been lumped in with money for a host of internal Community policies. The result has often been that the Commission has had to trade off a request for, say, technical aid to Russia with the European Parliament's demands for more money for EC transport.
- A near-doubling of money for EC external action from Ecu3.6bn (£2.56bn) this year to Ecu6.3bn (£4.49bn) in 1997.
- A new reserve, which will rise to Ecu900m by 1997, to make provision for possible default by dubious borrowers like ex-Soviet republics and for unforeseen foreign crises.

The Community is steadily building financial expectations on the part of its eastern neighbours. Its so-called Phare programme for central Europe, the Balkan and Baltic states is mainly project aid and does not carry long term commitments.

Equally, Brussels has carefully avoided including specific financial protocols in its recent association accords with Poland, Czechoslovakia and Hungary.

But these agreements promise the central Europeans "decisive support" in their moves to market economies. In addition, the Commission assumes that the combined needs of the 12 former Soviet republics will be greater than those of the old Soviet Union, because they will all be self-destructively pursuing their separate economic policies.

Saviour of Serbs forced to try to save himself

Beleaguered Milosevic is abandoning the militant nationalists he promoted, writes Laura Silber

SERBIA'S president, Mr Slobodan Milosevic, is trying to stave off mounting opposition within his republic by turning his back on the militant nationalists who fought his war by proxy. In doing so, the politician who built his career as the saviour of all Serbs – wherever they lived – has turned inwards to Serbia itself.

He now condemns as a warmonger Mr Milan Babic, the leader of Krajina, the self-proclaimed Serbian republic and enclave in Croatia. But no mention is made of the fact that the war was waged on the pretext of saving Croatia's Serbs in what was termed a hostile state.

The dispute with Mr Babic highlights the change in Mr Milosevic's tactics, a change dictated partly by economic reasons. Faced with the expense of the war, and financing the federal army, Mr Milosevic last month dropped the idea of uniting all Serbs in one state. It appears to be only a question of time before he calls for an independent Serbia, abandoning the idea of salvaging a Yugoslav federation.

Opposition leader Draskovic (left) is pressing for Milosevic the quit. Krajina president Babic (right) now finds himself condemned as a warmonger

In addition, Serbia's ruling Socialists, instead of co-opting the opposition, marginalised it during the seven-month war through their tight grip over the media. Any party or activists in the anti-war movement were denounced as traitors.

However, resistance to forced mobilisation in Serbia, and western pressure, contributed to Mr Milosevic's shift in policy. Now promoting himself as the man of peace, he is trying to bring the militant nationalist elements to heel. But even if he succeeds in this, it will not lessen the price of the war borne by Serbia.

On the home front, Mr Milosevic has to contend with rising *dissatisfaction over the economy*. The government has frozen the price of some staples but the average monthly wage equivalent to about $80 barely covers essentials.

The official inflation rate of 3,000 per cent is believed by economists in Belgrade to be well below the actual figure. Industrial output has fallen by at least 30 per cent in relation to last year's already low output. These indications are important for Mr Milosevic's political base which is anchored in the economy, as many key factory directors were appointed after he came to power in 1987.

The question now is whether he can maintain control of a republic confronting imminent economic collapse.

His call for peace in January temporarily silenced the opposition. But now, this unpredictable leader faces an economically devastated and war-weary Serbia. More importantly, many people are asking what the war gained. Says Mr Dragoljub Micunovic, president of the opposition Democratic Party: "Serbia could have been where it is now [on the verge of independence], without the *victims of war*".

Yesterday, in just three hours, more than 2,000 people signed a petition sponsored by the Democratic Party demanding Mr Milosevic's resignation. The Serbian Renewal Movement, under Mr Vuk Draskovic, has supported this initiative, and called a rally on March 9 – anniversary of the suppression of anti-government demonstrations – to press for the Serbian president to quit. The stakes are high for Mr Milosevic and March could be his most crucial month.

Polls point to change in Romania

By Judy Dempsey, East Europe Correspondent

ROMANIA'S political scene is likely to change significantly following the success of the Democratic Convention (DC) in recent local government elections. A loose coalition of opposition parties, the DC did well at the expense of the governing National Salvation Front in last weekend's polls.

Although only two of the 40 mayors in the counties were elected with an absolute majority, the results so far indicate the emergence of a democratic opposition capable of challenging the Front in parliamentary elections. These are due three months after the second round of local elections on February 20.

The Democratic Convention, which includes the intellectual-based *Civic Alliance* and the National Peasants Party, one of the "historic parties" of the 1920s, won an outright victory in Timisoara, cradle of the 1989 revolution which toppled the Ceausescu regime.

In Bucharest, the capital, the DC won 45 per cent of the vote; the National Salvation Front was next with 31 per cent. It also won the biggest share of the votes in the Transylvanian cities of Cluj, Sibiu and Brasov.

But in the Transylvanian counties of Covasna and Harghita, where ethnic Hungarians are in a majority, local Hungarians were swept into power, confirming that they will continue to play an important role in political life.

Privatisation free-for-all worries Czechoslovaks

By Ariane Genillard in Prague

CZECHOSLOVAK bankers are becoming increasingly worried that lack of regulation is threatening the country's mass privatisation programme, launched last month.

Last autumn, government officials reckoned only 4m citizens would be interested in the privatisation scheme – which involves distributing state-owned enterprises to the public through equity vouchers. However, the number of participants soared to nearly 8m after private investment funds offered tenfold cash guarantees in a year's time to those prepared to assign their vouchers to them.

These investment funds, unregulated by any investment law, have prompted worries that failure to live up to such promises will endanger the workings of the future private economy. The pressure to sell assets to meet guaranteed returns as well as operational costs could lead to a liquidity crisis and a capital market collapse, say bankers.

Reacting to such criticism, the federal government is drafting a law which would force investment funds to diversify their portfolios. But officials are not tackling the problem of guarantees.

The need for regulation is all the more urgent because of the political wrangles dominating the federal parliament. For months, Czech and Slovak deputies have been debating the future of the political structure which binds them in one country. Slovak deputies, in particular, have regularly opposed the passage of federal laws. Many politicians, also, do not want to push through legislation before next June's general election.

At the moment, investment funds are regulated only by a few paragraphs on joint-stock companies in the business code. Czechoslovakia also does not yet have an investment companies law or a securities trading law. The stock exchange law is in the making and should allow for the creation of a trading floor this autumn when the first tranche of vouchers are expected to become shares.

Under the privatisation programme, an estimated Kcs200bn (£4bn)-worth of equity from state-owned enterprises will be distributed next month to the public in the form of vouchers.

Bank chief warns on Polish interest rates

By Christopher Bobinski in Warsaw

THE debate over easing Poland's monetary restrictions has been joined by Mr Andrzej Topinski, acting head of the country's central bank. His warning that the bank would not agree to a base rate much below the level of inflation came as a draft budget was *being prepared by the government*.

The controversy became public as a senior International Monetary Fund team left Warsaw. The country needs an agreement with the IMF if disbursement of a three-year $2.5bn loan facility suspended last year is to be resumed.

Mr Topinski said in a newspaper interview that the bank would not lower its base rate to between 25 and 28 per cent as long as the government continued to run up a budget deficit, which could reach Zl 60,000bn (£2.9bn) this year or 4.5 per cent of gross domestic product.

He appeared to be arguing against Mr Jerzy Eysymontt, the senior minister responsible for the economy, who is looking for ways of reviving Poland's recession-bound state owned industries without igniting hyper-inflation. Mr Eysymontt wants to see a base rate at around the inflation rate which he estimates will reach 35 per cent this year.

The central bank's stance strengthens the hand of Mr Karol Lutkowski, finance minister, who is arguing that interest rates have to stay around their present 40 per cent annual level if the budget deficit is to be financed. The Finance Ministry agrees the inflation rate will reach 35 per cent this year or half of its 1991 level. Mr Eysymontt would also like to see an exchange rate "which would *avoid an* appreciation of the zloty". Here Mr Topinski wants to leave his options open, maintaining that exchange rate policy should not be strictly linked to the inflation rate but to the state of "foreign currency reserve levels", as well as other factors.

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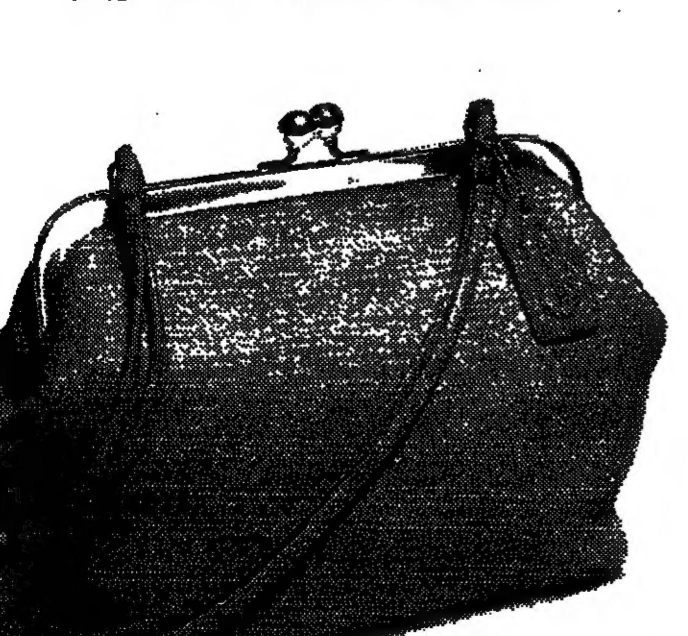

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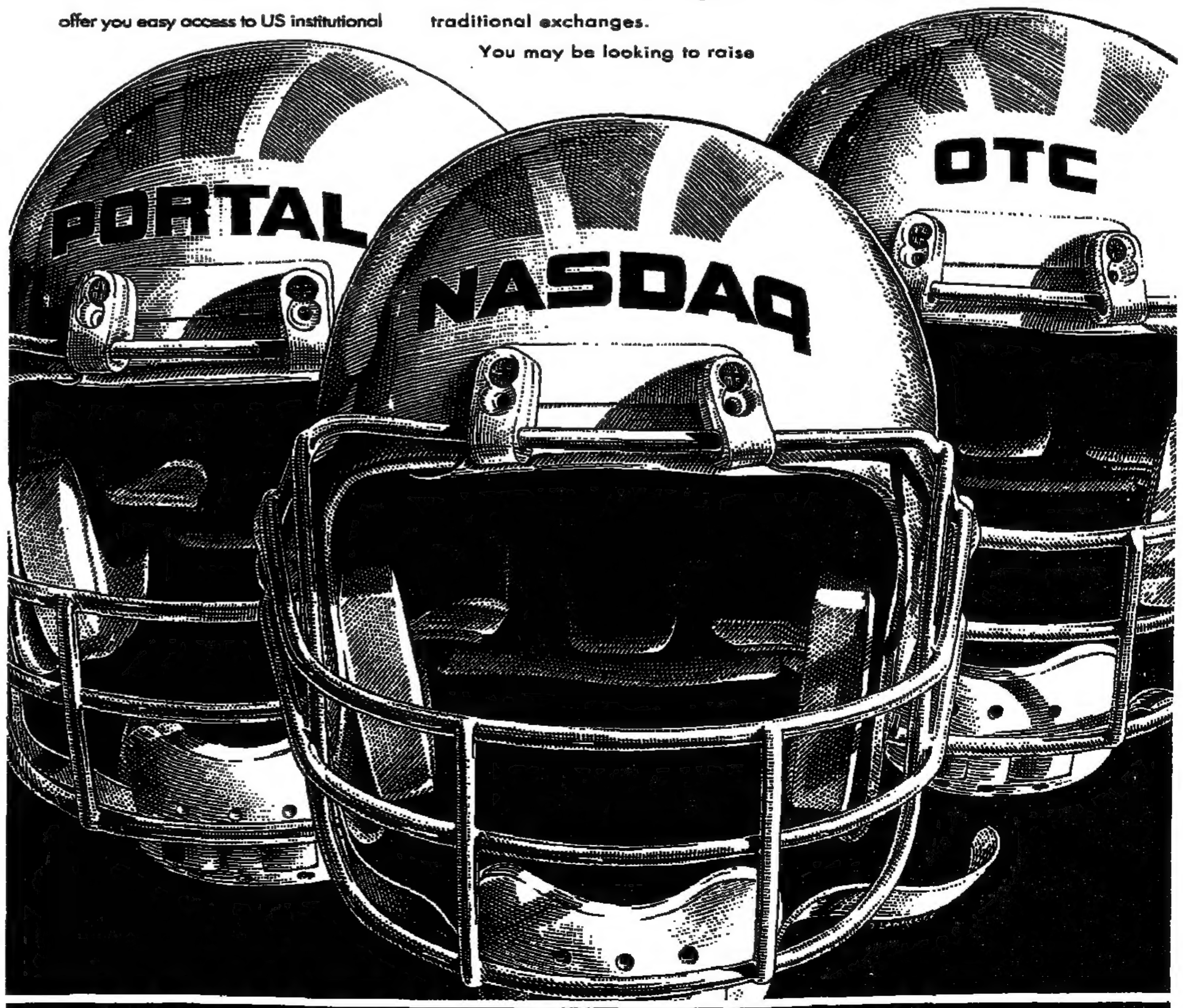


THE STOCK MARKET FOR THE NEXT 100 YEARS

Japanese machinery orders drop sharply

By Steven Butler in Tokyo

JAPANESE machinery orders, a key leading economic indicator, plunged in December to their lowest level since February 1988, the Economic Planning Agency (EPA) said yesterday.

The sharp decline – 13.9 per cent below a year ago excluding order for ships and from electric power companies – adds to a growing weight of evidence that Japan's economy is slowing sharply. The latest figures will increase pressure on the authorities to cut interest rates.

Mr Yasushi Mieno, governor of the Bank of Japan, none the less said yesterday that further monetary easing was not yet required, and that companies were not facing a squeeze in funding.

Mr Mieno said underlying economic activity remained firm. He also poured cold water on ideas put forth by some members of the ruling Liberal Democratic party aimed at hastily propping up the stock market, where prices have slumped for the past two years. Mr Mieno said any such ideas had to take account of the long-term market impact.

Private machinery orders for the month came to Y696.4bn (£3bn), which was 25.6 per cent below November's orders. Machinery orders were 9.4 per cent lower in the last quarter of the year, compared to a year ago.

Orders from manufacturing industries were down by 11.2 per cent month-on-month, or by 17.3 per cent compared with a year ago.

Non-manufacturing industry orders were down by 33.4 per cent on the month, or 10.6 per cent from December 1990.

Mr Robert Feldman, economist at Salomon Brothers Asia, said the sharp decline in non-manufacturing orders was likely to disappoint government officials who had been counting on this sector to hold up the economy.

Total machinery orders, from the public and private sectors, were down by 8 per cent compared with a year ago. For the year as a whole, total machinery orders fell by 2.1 per cent, while private machinery orders excluding ships and power equipment were down by 1.4 per cent.

The EPA survey indicated an upturn in machinery orders in the first quarter of the year, with private orders excluding ships and power equipment expected to grow by 18.3 per cent compared with the third quarter of 1991.

Prime Minister Kiichi Miyazawa yesterday rebuffed a renewed appeal from German Foreign Minister Hans-Dietrich Genscher for large-scale aid to the former Soviet Union, AP-DJ reports from Tokyo.

Instead, Mr Miyazawa asked Mr Genscher to support Japan's demand that Russia return the Kuriles, four small islands seized by the Soviet Union at the end of the Second World War.

Mr Genscher is on a three-day visit to Tokyo.

Yen used more in Asian trade

THE yen could replace the dollar as the currency of choice in Asia, as further evidence that a "yen bloc" is slowly emerging in the region, Reuter reports from Tokyo.

Recent data from Japan's Ministry of International Trade and Industry (Miti) shows more of Japanese trade, especially with other Asians, being conducted in yen.

"As Japanese products proliferate in Asia, we are seeing an expansion in the use of the yen for trade," said a Miti official. In 1991, the share of Japan's $87.93bn (£48bn) exports to Asia settled in yen increased to 41.9 per cent, compared with 37.5 per cent in 1990 and 33.4 per cent in 1987.

Japan's near-dominant position as a supplier of many key goods gives its companies an advantage in trade so they can force trade partners to take foreign exchange risks associated with some transactions. Currencies can fluctuate widely in the time between arranging a contract and paying for it, leaving one party exposed to what could be hefty foreign exchange losses.

"Japanese firms have become so competitive that they now have the ability to force the foreign exchange risk on to others," said Mr Kenneth Courtis, senior economist at DB Capital Markets (Asia).

Part of the reason for more yen trade might also be that many Japanese exporters are selling goods to their own subsidiaries or units of other Japanese companies overseas.

Economists say that for a yen bloc to become a reality, the yen needs to be used more widely as a unit of exchange between parties which are not Japanese. "This is one piece in the puzzle for Japan's expanding presence in Asia," said Mr Paul Summerville, economist at Jardine Fleming Securities.

In recent years, the share of exports contracted in yen to the US and the European Community, where construction of Japanese plants has been slower than in Asia, has shown little sign of moving in favour of the yen.

Meanwhile, Asian nations have increasingly more yen that needs to be spent. "Countries increasingly have to match their yen liabilities," said Mr Courtis.

UN told Libya accepts French demands over airliner bombing

LIBYA has told the United Nations it would accept French demands on the 1989 downing of an airliner over Africa but did not agree to US and British requests on a Pan Am bombing over Scotland, Reuter reports from United Nations.

A report issued by Mr Boutros Boutros-Ghali, the secretary-general, yesterday quoted Libya's ambassador to the UN as saying his country had decided to "accept the French demands since they were in conformity with international law and did not infringe upon the sovereignty of Libya".

"Libya requested, therefore, that the secretary-general inform the French government of the decision," Mr Boutros-Ghali said, in a report on his conversation on Tuesday with Mr Ali Ahmed al-Houdari, Libya's UN ambassador.

The Libyan response was in answer to Security Council Resolution 731, adopted on January 1 demanding co-operation on the two airline bombings.

But there was no indication it was willing to hand over the two agents indicted by the US and Britain in connection with the December 1988 mid-air bombing of Pan Am Flight 103 over Lockerbie, in Scotland, in which 270 people died.

The report said Libya wanted the secretary-general to created a "mechanism" for US and British demands that two agents considered responsible for the Pan Am bombing be turned over for trial.

Diplomats described Libya's latest response to the resolution as vague and hopeful but officials from France, the US and Britain said they first had to study the document.

The US and Britain have threatened economic sanctions, including an air and arms embargo, if the agents were not handed over. Libya has denied any involvement in either bombing and previously refused to allow its alleged agents to be tried by courts abroad.

A lawyer for the two, named as Abdel Baset Ali Mohammed al-Meghrahi and Al-Amin Khalife Fhimah, said in Tripoli they could be tried outside Libya but not in the US or in Scotland. British lawyer Stephen Mitchell also said that reports from a former Central Intelligence Agency official that the two had disappeared and were dead were untrue.

France had demanded Libya allow the questioning of four agents by a French magistrate in connection with the downing of a DC-10 airliner belonging to the French Union des Transport Aeriens (UTA) which blew up over Niger, killing 171 people.

Diplomats said the letter indicated the four could be brought to France for interrogation and pointed out that France had not asked for their extradition.

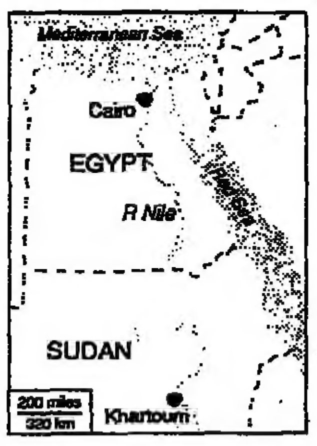
Sudanese political trends alarm Cairo

Tony Walker reports on growing tensions between neighbours in north-east Africa

WHEN Major-General al Zubeir Mohammed Saleh, Sudan's deputy leader, completed a visit to Egypt this week, he had soothing words about the strained relations between the neighbouring Arab-African states. "Agreement had been reached," he said, "on the formation of a joint committee to promote co-operation in all fields for the good of the two peoples."

Behind his bland pronouncements, however, lies a troubled relationship, and it is doubtful that Gen al Zubeir's presence in Cairo – this was the highest-level Sudanese mission to Egypt in 18 months – has done all that much to calm festering Egyptian worries about developments in the Sudan.

A senior Egyptian official, who described the whole issue of Egypt-Sudan relations as "extremely sensitive," said Cairo would "wait and see how the Sudanese government is going to manage its relations in the Arab world, and how the 'fundamentalist non-Moslem wave' of policies there will manifest itself".



From Cairo's perspective, Sudan presents an alarming picture these days: a weak military regime in the thrall of a powerful fundamentalist tendency led by Dr Hassan al-Tourabi of the National Islamic Front, which, according to Egyptian claims, is bent on creating a militant Moslem state and haven for extremist groups from across the Arab world.

Egypt's official Rose el-Youssef magazine this week published a detailed account, apparently based on Egyptian intelligence reports, of what it described as a network of terrorist training camps under Dr Tourabi's control.

It also refered to the presence in Sudan of 2,000 Iranian Revolutionary Guards, some of whom had served in Lebanon.

Another Egyptian concern is over sanctuary given to Egyptian militants in Sudan recently, including the blind cleric, Sheikh Omar Abdel Rahman who fled Egypt in 1990.

A visit to Khartoum last December by President Ali Akbar Hashemi Rafsanjani of Iran, accompanied by offers of military assistance, prompted an extraordinary outburst in Al Ahram, the official Cairo daily, by Ibrahim Nafeh, its editor-in-chief and confidant of President Hosni Mubarak.

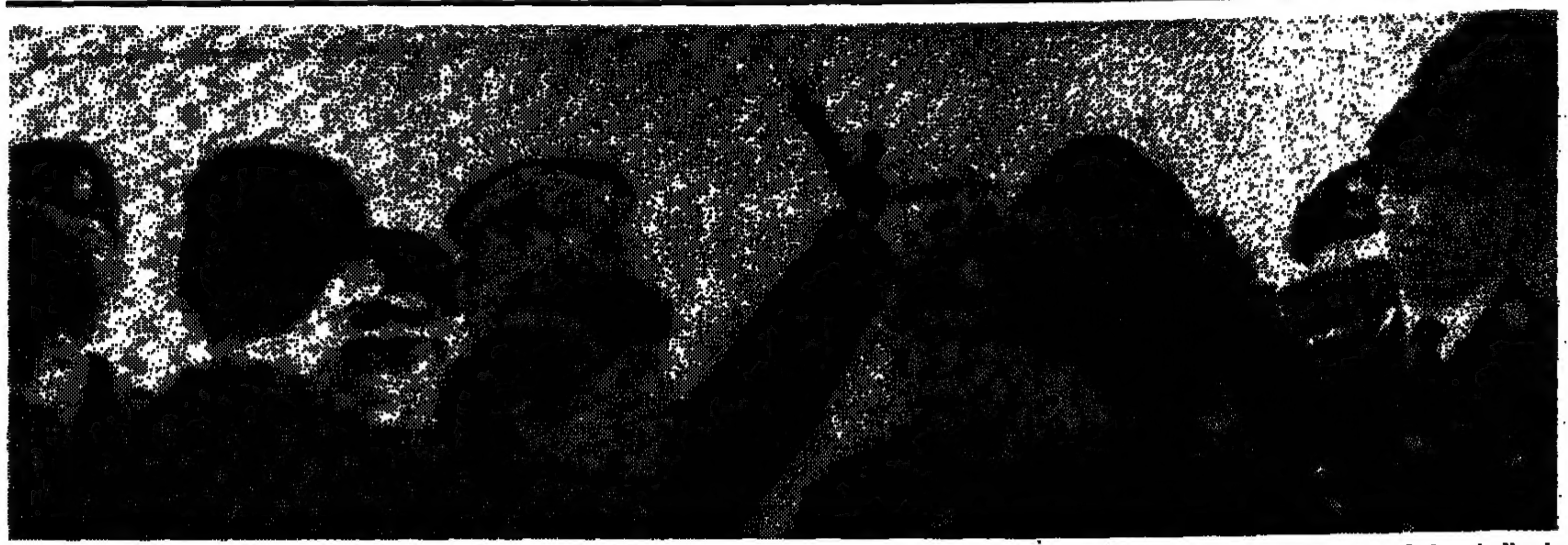
"God help the brotherly Sudanese people," Mr Nafeh wrote. "For years, the situation in Sudan has been deteriorating, with governments changing hands consecutively until (Sudanese President Omar) Al Basir rose to power in a military coup d'état and overshadowed all previous leaders in his blunt efforts to push Sudan down the drain."

Egypt's growing troubles with Sudan, which it ruled under an Anglo-Egyptian condominium until the early 1950s, date from the last idiosyncratic years of Colonel Jaafar Nimeiri's rule before his removal in a bloodless coup in 1985.

Mr Nimeiri's efforts to impose *Shari'a* law (a 1,300-year-old Islamic code) had fuelled conflict between the mainly Moslem north and the Christian or animist south: a debilitating civil war continues to this day.

His replacement after a transitional period of military rule by Mr Sadiq al-Mahdi as prime minister between 1986 and 1989 added to Egypt's problems with its neighbour. Mr Mahdi, a fervent nationalist, had little regard for the web of agreements negotiated over the years between Khartoum and Cairo, including an "Integration accord", and these were replaced with a "Fraternity Charter" in 1987 – a largely meaningless agreement – that was designed to "restore warmth" to the troubled relationship.

Gen Saleh's visit to Cairo was dogged by a border dispute that was rekindled following the signing of an agreement last December between Sudan and a Canadian-registered company for oil exploration in a zone Egypt claims as its sovereign territory. He insisted that the control over what is known as the Halaib administrative triangle on the Egyptian Sudanese Red Sea border could be resolved amicably.



A Vietnamese father carrying his child waves farewell to Hong Kong yesterday before boarding an aircraft flying them and 34 other boat-people back to their homeland. Yesterday's deportation, reports Reuter, was the third since Vietnam agreed last October to take back a number of people who were deemed by the British colony to have fled poverty rather than political persecution. Vietnam yesterday welcomed the return and expressed sorrow at the deaths of 23 boat-people burnt alive in a Hong Kong camp riot last week. It urged that those considered responsible be put on trial.

India starts easing import restrictions

By K.K. Sharma in New Delhi

INDIA yesterday started the process of easing the restrictions on imports imposed in March last year when the country was in the midst of a severe balance of payments crisis.

Mr S. Venkitaramanan, the governor of the Reserve Bank of India, the country's central bank, announced in Bombay that the requirement of a 25 per cent cash margin on letters of credit for imports would be withdrawn from today.

Simultaneously, the surcharge that banks were required to impose on import credit will also be withdrawn.

As a result, industry will be able to import without difficulty the raw materials and components it needs urgently to raise production.

The move follows the rise in the foreign exchange reserves to a healthy level of over Rs 100bn (£2.13bn) following various measures taken by the government. These include the first instalments of a standby credit of $2.2bn (£1.2bn) from the IMF and immunity schemes for Indians with foreign bank accounts if they repatriate their illegal wealth.

Easing restrictions is part of the economic reforms initiated since July last year by the Narasimha Rao government. This has led to withdrawal of a number of government controls and regulations, including those on foreign investment and industrial licensing. However, import restrictions were retained, except for minor changes, until the foreign exchange reserves improved.

Trade and industry has long been pleading for the easing of the restrictions on the grounds that they were affecting industrial production.

Industrialists blame the restrictions on imports and bank credit for the recession and they have, therefore, been asking for their withdrawal.

Dr Manmohan Singh, minister of finance, said restrictions would be eased as soon as foreign exchange reserves reached a healthy level.

Pakistan cracks down on Kashmir militants

KASHMIRI militants said Pakistani security forces killed up to 12 people and arrested their leader together with 100 supporters in an attempt to block their march to the Indian border yesterday, reports Reuter from Chinari, Pakistan.

But Mr Sardar Abdul Qayyum, prime minister of Pakistan-ruled Azad Kashmir, denied that Mr Amanullah Khan, leader of the Jammu and Kashmir Liberation Front (JKLF), had been arrested and said that there had been many fewer deaths.

The JKLF said that their leader and close aides were snatched by the security forces after being separated from other activists who had fought their way close to the border in an attempt to cross it in support of a Moslem uprising in the Indian-ruled side of Kashmir. Mr Qayyum also said the militants had agreed to disband the march in return for the release of 40 people arrested earlier.

The JKLF claimed that Mr Khan and 300 of his most ardent supporters had reached the border village of Chakothi after breaking through a police barrier 6km from the ceasefire line.

Militants said police occupying the heights above a road sandwiched between the mountainside and the Jhelum river gorge threw rocks down on demonstrators, injuring many. Doctors said police shot dead at least three people.

● In India, authorities said Indian soldiers fired at other militants trying to cross the disputed border, reports AP.

Pretoria and ANC closer to accord

By Patti Waldmeir in Johannesburg

THE South African government and the African National Congress have moved closer to setting up an interim government for the transition to post-apartheid democracy.

The ANC yesterday released proposals on the interim administration, which showed growing convergence with those of the Pretoria government, although officials warned there were still many stumbling blocks to early agreement.

The ANC wants an all-party Interim Government Council to oversee multi-racial elections and to supervise the security forces, the public media and the budget.

This body, which would be appointed by the Convention for a Democratic South Africa (Codesa) – the multi-party conference which is currently discussing constitutional issues – could also take on additional powers "considered necessary for proper government."

The ANC also proposed that what it calls a "constituent assembly" should both draw up a post-apartheid constitution and act as a legislature in the interim period. This proposal parallels that of the government, which proposes that an elected interim parliament draw up a constitution.

Where they differ is on the way such a body would be constituted. The ANC insists it be elected on the basis of one-man, one-vote, while the government says this would provide insufficient protection for minorities. The government proposes a complicated system of voting to give minorities – which in practice means whites – a disproportionately large number of seats.

The two sides have made great steps towards convergence in recently. They now agree that an interim government should be elected and that a constitution should be drawn up by an elected, rather than an appointed, body.

But important differences remain: a senior government official warned yesterday of a "long hard road ahead" before consensus could be reached on the minority issue. The ruling Nationalists would not accept a solution which gave whites representation in parliament without any real power. "That," the official said, "would mean sitting in a corner and getting outvoted all the time."

● South African health authorities said yesterday they want to scrap a plan that would end the automatic right to an old age pension, Reuter adds from Johannesburg.

The National Health Department added in a statement it planned "as soon as possible" to eliminate disparity between pensions for blacks and whites.

NZ ahead of target in squeezing inflation

By Terry Hall in Wellington

THE New Zealand Reserve Bank said yesterday that the country's inflation fell more sharply than expected last year, to levels not expected until 1993. Inflation fell to minus 0.02 in December.

The bank, which was given responsibility for handling monetary policy in pursuit of low inflation in 1988, was not supposed to achieve nil to 2 per cent inflation till 1993.

Releasing the latest six monthly outlook yesterday, the bank governor, Dr Don Brash, said that "with hindsight, there could be some validity" in accusations that the bank's monetary targets had been too tight and that this had caused extra business difficulties. The creeping 4 per cent devaluation, since late November, could have been done earlier, he declared.

However, he argued that the bank had eased monetary policy substantially during the year. Had the bank acted earlier, the wrong signals might have been sent to the markets about its commitment to low inflation.

The bank predicts renewed inflationary pressures following the recent devaluations, and Dr Brash pointed out that the bank would not hesitate to tighten monetary policy.

Current settings are comfortably on track to achieve the 1993 target, laying a sound foundation for an improvement in New Zealand's growth prospects.

Dr Brash added that underlying inflation rate was estimated to have fallen to an average 1.7 per cent in 1991. It could fall lower over the coming months, before rising to reach a peak of about 3 per cent next year.

W Australia to sell off financial institutions

By Bruce Jaques in Sydney

DR Carmen Lawrence, the premier of Western Australia, plans to privatise the state's two largest financial institutions as part of an economic package announced yesterday.

Dr Lawrence said the government's Insurance Office would be sold outright and that 40 to 49 per cent of the R&I Bank would be sold off.

However, she said, the economic environment precluded any immediate sales and the government would wait until "the time was right".

She did not specify whether the two institutions, both of which were involved in lending to many failed entrepreneurs, would be floated or offered for trade sale.

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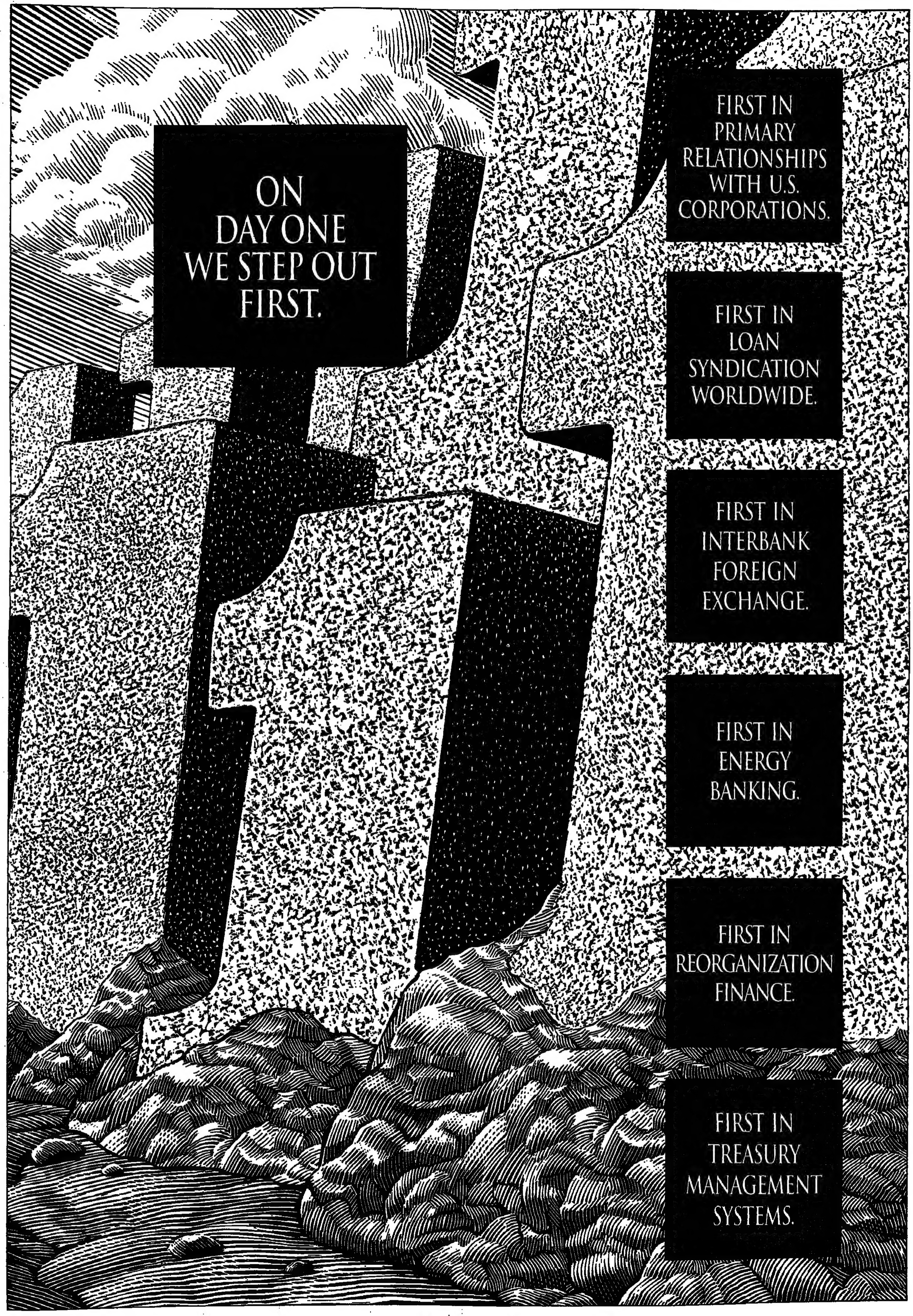
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TENDER FOR INSURANCE

Applications are invited from insurance companies and intermediaries who wish to be considered for inclusion in the list of tenderers for the boroughs insurance requirements.

The Council have appointed Jardines Insurance Brokers Limited to act as advisers in the review of its insurance arrangements and invitation of tenders.

The authority has a population of 186,000 and gross expenditure will amount to some £250 million for the coming financial year.

Current insurance policies will be subject to renewal on 1st July 1992.

Tender documents will be issued on 1st April 1992. Companies wishing to be considered for inclusion on the Councils approved tender list should apply to the address below for an application package which should be returned by no later than Tuesday 3rd March 1992.

Chief Executives Department, Finance Division, Central Purchasing Unit, 7th Floor, Century House, Hardshaw Street, St. Helens, Merseyside WA10 1RN. Tel: (0744) 24061 exts. 2881 and 2882.

LEGAL NOTICES

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Former company name: Croftdock Limited
Nature of business: Holding Company
Trade classification: 73

LONGSTAFF AND SHAW LIMITED
Registered number: 635958
Nature of business: Heating & Ventilation Engineers
Trade classification: 27

L. AND S. FIRE PROTECTION SYSTEMS LIMITED
Registered number: 1046810
Nature of business: Manufacturers, dealers in Fire Extinguishers and Alarm Systems
Trade classification: 27

LONGSTAFF AND SHAW ENGINEERING LIMITED
Registered number: 1989010
Nature of business: Electrical, Mechanical Engineers etc.
Trade classification: 27

LONGSTAFF AND SHAW SERVICES LIMITED
(All in Administrative Receivership)
Registered number: 1046811
Nature of business: Designers & Consultants for Electrical & Mechanical Systems
Trade classification : 37
Date of appointment of Administrative Receivers: 3rd February 1992
Name of person appointing the Administrative Receivers: Royal Bank of Scotland plc

Brian Mills & Colin George Wiseman
Joint Administrative Receivers
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NOTICE OF MEETING IN ADMINISTRATIVE PROCEEDINGS

Notice is hereby given that a meeting of creditors is to be held at The Somerset Suite, The Waldorf Hotel, London, WC2 at 1:00pm on 27 February 1992, to consider our proposals under Section 23 (1) of the Insolvency Act 1986 and to consider establishing a Committee of Creditors. A copy of our proposals may be obtained from P O Box 55, 1 Surrey Street, London, WC2R 2NT.

John A Talbot
Anthony W Brierley
Martin Fishman
Murdoch L McKillop

JOINT ADMINISTRATORS

Dated this 10 day of February 1992

ALLCENTRE PROPERTIES LIMITED
(IN ADMINISTRATION)

NOTICE OF MEETING IN ADMINISTRATION PROCEEDINGS
Notice is hereby given that a meeting of creditors is to be held at The Somerset Suite, The Waldorf Hotel, London, WC2 at 2:00pm on 27 February 1992, to consider our proposals under Section 23 (1) of the Insolvency Act 1986 and to consider establishing a Committee of Creditors. A copy of our proposals may be obtained from P O Box 55, 1 Surrey Street, London WC2R 2NT.

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Anthony W Brierley
Martin Fishman
Murdoch L McKillop

JOINT ADMINISTRATORS

Dated this 10 day of February 1992.

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Over 1 up to 2	10⅛	10⅛	10⅛
Over 2 up to 3	10⅛	10⅛	10
Over 3 up to 4	10	10	10
Over 4 up to 5	10	10	10
Over 5 up to 6	10	10	10⅛
Over 6 up to 7	10	10	10⅛
Over 7 up to 8	10	10	10¼
Over 8 up to 9	10	10⅛	10¼
Over 9 up to 10	10⅛	10⅛	10⅜
Over 10 up to 15	10¼	10⅜	10⅜
Over 15 up to 25	10½	10⅜	10¼
Over 25	10⅜	10¼	10¼

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

AMERICAN NEWS

Former World Bank officials see growing opportunities in emerging markets

IFC-style investment company launched

A NEW asset management company was launched in Washington yesterday to take advantage of growing opportunities for direct and portfolio investment in developing countries, eastern Europe and the former Soviet Union, writes Michael Prowse in Washington.

The Emerging Market Corp was founded by Mr Moeen Qureshi and Mr Donald Roth – until recently two of the World Bank's most senior officials – and Mr Jay Higgins, a former vice-chairman of Salomon Brothers, the Wall Street investment house.

Bankers Trust, the New York bank which is already active in emerging markets in developing countries, has agreed in principle to become a partner in the new company.

The new company will be based in Washington and begin operations in April. Its immediate aim is to establish a \$200m-\$250m (£111m-£139m) fund for making direct equity investments.

Mr Qureshi, the chairman-designate, said yesterday EMC would add value by providing a vehicle through which pension funds and insurance companies could take direct equity stakes in developing countries. At present, investors were mainly limited to portfolio investment in emerging markets.

He said the age of substantial bank lending to developing countries had passed. His company was being established to ride the new wave of direct and portfolio equity investment.

EMC may also represent the start of a trend towards seeking private-sector solutions to the problems of economic development. It can be seen as a profit-making, entrepreneurial version of the International Finance Corp (IFC), the arm of the World Bank that seeks to promote private-sector development in the third world.

In eastern Europe, EMC could compete with the public-sector European Bank for Reconstruction and Development, which has taken direct equity stakes in enterprises.

EMC offers investors considerable expertise in development and finance. Mr Qureshi was until recently in charge of operations at the World Bank – one of two senior vice-presidents under Mr Lewis Preston, the president. Mr Roth is currently the bank's treasurer, its senior financial officer. Mr Higgins was head of investment banking at Salomon and previously head of mergers and acquisitions.

EMC aims to operate in Asia, Latin America, eastern Europe and the former Soviet Union.

Mr Qureshi said he expected eastern Europe to be an important market but to develop slowly. In the former Soviet republics, the group would seek "enclave-type projects" where returns were likely to be independent of the economy's overall performance.

Although focusing initially on direct equity stakes, EMC will seek to take advantage of growing opportunities for stock market investment as capital markets deepened in developing countries and former communist economies.

Mr Qureshi said opportunities were far greater than generally appreciated. He expected portfolio investment in emerging markets to expand from about \$20bn now to about \$100bn by the end of the decade.

Congress heads for clash over taxation

By George Graham in Washington

DEMOCRATS and Republicans are heading for a clash in Congress over how much of the tax incentives package proposed last month by President George Bush to enact.

But with the tax debate turning into a contest of political gamesmanship, it is the Democrats who are proposing the full list of measures set out by Mr Bush in his State of the Union address, and the Republicans who are calling for a more limited package of short-term measures.

With the backing of the White House, the Republican minority in Congress has selected seven main measures from Mr Bush's proposals. They include a cut in the capital gains tax rate, an investment tax allowance, and tax incentives for first-time home buyers.

Mr Richard Gephardt, leader of the Democratic majority in the House of Representatives, countered the Republican bill by introducing one with 50 measures, which he said represented the entire Bush package.

This is the bill on which the House ways and means committee, Congress's key taxation body, began work yesterday.

The Republican bill omits the tax break Mr Bush promised to middle-income families: a \$500 (£276) per child increase in personal tax allowances.

While this measure was not included in the short-term plan Mr Bush challenged Congress to pass by March 20, his State of the Union address specifically asked Congress to act on it "right away".

The bill also lowers the alternative minimum tax, which is designed to prevent the wealthy from escaping taxation by sheltering their income.

"It appears that the tax train is leaving the station and the middle-income people have been left behind," Mr Gephardt said. "What the administration now wants considered is short-term legislation, loaded with special interest tax measures, shorn of most relief for moderate income Americans and financed by phony accounting changes."

Both Congressman Dan Rostenkowski, chairman of the ways and means committee, and Senator Lloyd Bentsen, his counterpart on the Senate finance committee, said yesterday there would be only one tax bill this year: it should therefore address the entire range of tax proposals.

Congressman Bill Archer, the senior Republican on the ways and means committee, said Mr Bush would veto the Gephardt bill as it did not comply with the fiscal discipline required by the US budget enforcement act.

"I don't think it's a good-faith effort when Dick Gephardt submits a bill, claims it's the president's bill, but offers no spending cuts to pay for the balance of the tax initiatives," Mr Archer complained.

Should the Gephardt bill pass, however, it would present Mr Bush with the ticklish political task of explaining why he was vetoing legislation comprising largely his own proposals, and preferred a bill giving little or nothing to middle-income families.

Brazilian state groups face cost crackdown

By Christina Lamb in Rio de Janeiro

BRAZIL'S Economy Ministry has warned that state companies' failure to rein in spending could jeopardise the country's stabilisation programme.

Under a programme agreed with the International Monetary Fund, Brazil must produce an operating surplus of 1 per cent of gross domestic product this year. However, preliminary figures for last year show the public sector deficit worsened to 2.25 per cent of GDP, mainly due to the failure of state companies to cut costs.

Federal investments have been slashed, but few state companies met the requirement of last February's economic plan to reduce costs for 1991 by 10 per cent, according to ministry officials.

Some even increased spending, appealing to the Treasury for extra funds. Many failed to make payments to the state social security fund, pushing it to the verge of bankruptcy.

Some of the large state companies, such as Petrobras, started this year by granting generous salary increases to employees. A ministry official said yesterday: "The state sector is out of control."

Mr Marcilio Marques Moreira, economy minister, is expected to order a crackdown on costs and try to resolve the problem of state companies unable to service debt because they are owed money by other parastatals.

Mr Marques Moreira has already blocked the accounts of Eletrobras, the state electricity company, for not meeting debt payments and threatens to do the same to other offenders. Eletrobras had, however, transferred most of its money to the account of its Rio de Janeiro subsidiary.

Fiery Buchanan attacks 'unfair' Airbus subsidies

By Lionel Barber in Concord, New Hampshire

MR Patrick Buchanan, the right-wing Republican challenger to President George Bush, is calling for trade retaliation against Airbus Industrie as part of a stiffer "America first" trade message to win over voters in next week's New Hampshire primary.

In a speech in Concord, Mr Buchanan accused Japan and Europe of spending billions of dollars on unfair subsidies in an effort to destroy US high-technology businesses, particularly the aerospace industry led by Boeing and McDonnell Douglas.

As president, he would tell the British, French, German and Spanish governments who back Airbus that "we are going to protect Boeing because they built the planes that kept you free [during the Cold War]."

The US is a world leader in civil aviation, one of the few high-technology industries unchallenged by Japanese competition. The Bush administration has filed two complaints about subsidies of Airbus to the Geneva-based General Agreement on Tariffs and Trade but Mr Buchanan said he would introduce countervailing duties to raise the price of Airbus aircraft.

With five days remaining to next Tuesday's primary in New Hampshire, the first in the 1992 election campaign, Mr Buchanan, with roughly 30 per cent support, trails Mr Bush by 15 points. But many voters remain undecided, and the Bush camp is fearful of a recession-inspired backlash.

Political experts calculate that Mr Buchanan needs between 35 and 40 per cent of the vote to keep his challenge alive in the southern primaries. Bush supporters are inflating his likely vote next Tuesday in the hope that, even if he scores an embarrassing 35 per cent, he will be written off by the press.

Mr Buchanan, a former speech writer to Presidents Nixon and Reagan, drew a crowd of more than 200 people at Concord on Monday night. Many were middle-income Americans worried about the local economy.

The Republican challenger called for an end to all US foreign aid, the removal of most-favoured-nation trade benefits for communist China, and the withdrawal of all US troops from Europe in response to the collapse of the Soviet Union. "It is time to tell the big boys in Europe who steal our markets around the world that they should look after themselves."

The Boston Herald, a conservative-leaning tabloid newspaper, joined the right-wing Manchester Union Leader yesterday in endorsing Mr Buchanan in a front-page editorial. The Herald said Mr Bush's support of a tax increase in 1990 meant he had betrayed those who voted for him in 1988.

In his speech Mr Buchanan evoked memories of the 1950s, when the US dominated the world economy and led the struggle against Stalinism. The US won the Cold War "but the victory has left ashes in our mouths. There is a social and economic crisis in America today," he said.

Referring to national opinion polls indicating that three out of four Americans are worried about the future, Mr Buchanan said he would cut taxes, support term limits for Congress and slash the federal bureaucracy. He quoted Abraham Lincoln's words on the eve of the Civil War: "There is a storm coming."

Patrick Buchanan: evoked memories of the 1950s

Caterpillar strike widens

By Barbara Durr in Chicago

THE United Auto Workers union of the US is to widen its three-month strike against Caterpillar, the world's largest maker of earth-moving equipment. The decision came after Caterpillar offered last week to end its lock-out of 5,650 workers this weekend.

The company's move was aimed at bringing the union back to the bargaining table. But the union says it wants to maximise pressure on Caterpillar to win an industry "pattern" contract, comparable with settlements at similar companies. It will send the locked-out workers on strike.

The union believes that allowing locked-out workers to return to the job would prolong the partial strike by 2,400 of its members, which began on November 4.

However, the UAW accepted the company's invitation to resume talks next week.

Cavallo warns of tough line on inflation

MR Domingo Cavallo, Argentina's economy minister, yesterday said his stabilisation policies were under threat from inflation, writes John Barham in Buenos Aires.

However, the minister added: "We will not throw away all we have achieved. We will persevere and continue with the changes."

The spectre of rising inflation is already setting off pre-emptive price increases and index-linking. Mr Cavallo has responded by demanding companies keep prices down and unleashing tax inspectors on offending businesses.

Mr Cavallo's economic liberalisation policies have steadily lowered inflation, which fell to a monthly rate of 0.6 per cent in December. But inflation flared in January, rising to 3 per cent. Mr Cavallo had forecast inflation of 6-7 per cent for 1992; last year prices rose 84 per cent.

The minister warned that "without economic stability it will not be possible to grow or to maintain political stability".

He repeated that inflation would simply lead to recession and called on companies to invest more, raise production and lower prices. The minister is keenly aware that further inflation will increase political pressure to devalue the peso, the new currency introduced in January.

Demands from the business lobby for subsidies and protection from imports will be firmly resisted, Mr Cavallo said. He said "even a 10-year old" could understand that industrial subsidies would only impoverish the rest of the country.

Noriega trial admission

FORCES under the command of former Panamanian strongman General Manuel Antonio Noriega investigated and arrested a key figure in Colombia's Medellín cocaine cartel, a US Drug Enforcement Administration agent admitted yesterday, writes Henry Hamman in Miami.

The acknowledgement by the agent, Mr Thomas Telles, is significant as the government has alleged during Gen Noriega's Miami drug trafficking trial that the general protected the operations of the Medellín cartel in Panama.

Mr Telles had at first denied knowing with whom the Medellín "lieutenant," Mr Jose Eduardo Zembrano Caicedo, was affiliated.

Defence attorney Mr Frank Rubino sought to introduce several documents dealing with the investigation and arrest of Mr Zembrano.

Mexico to clean up vehicle emissions

MEXICO has taken another step towards cleaning its smog-shrouded capital, one of the world's most polluted cities, by ordering tens of thousands of vehicles to convert to clean-burning fuels, Reuter reports from Mexico City.

The programme, the latest in a series of measures to clean up the city, was announced yesterday at the Los Pinos residence of President Carlos Salinas de Gortari.

Emissions from cars, trucks and buses account for nearly 80 per cent of the more than 4,300 tonnes of pollutants dumped on Mexico City every year.

Under the new measures, owners of 144,000 public transport and cargo vehicles will be forced to convert to natural gas or liquid petroleum gas over the next three years.

During the same period, another 147,000 vehicles will be sent to the scrap heap and substituted by newer models that run on lead-free petrol and are equipped with catalytic convertors.

The measures affect a relatively small number of the more than 3m cars, trucks and buses that clog the city's streets. But they were applauded by Mr Homero Aridjis, a leading environmentalist, as an important step in the right direction.

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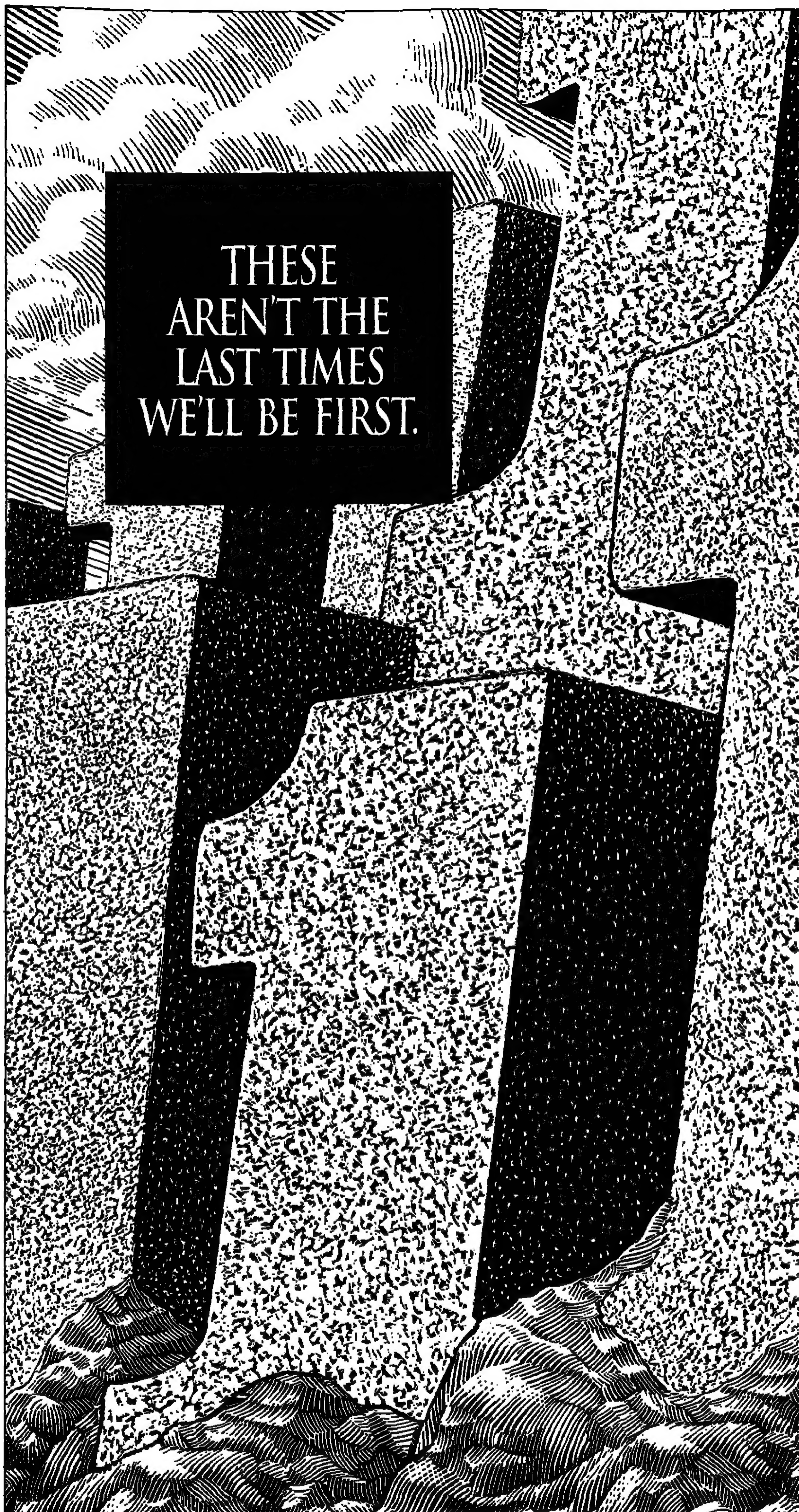

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WORLD TRADE NEWS

AT&T calls for end to Russian curbs after deal

AMERICAN Telephone and Telegraph (AT&T) yesterday signed a multi-million-dollar joint venture with a Russian company and called for western restrictions on high-technology exports to be lifted, Reuter reports from St Petersburg.

The deal, with St Petersburg-based Dalnya Svyaz (Dals), is to provide and market digital transmission equipment to improve long-distance domestic and international phone links in the former Soviet Union, AT&T officials said.

AT&T Network Systems International will own 68 per cent of the new company, to be called AT&T of St Petersburg. Dals will hold the remaining 32 per cent.

Mr Alexei Alyushin, Russia's deputy communications minister, said the joint venture was only a small part of AT&T's plans to develop Russia's communications.

However, neither he nor AT&T officials gave details of future projects. They would not say how much would be invested in the current joint venture, but said it amounted to millions of dollars.

Mr Sam Willcoxon, an AT&T group executive, said the deal was part of an overall plan to improve the infrastructure in the Commonwealth of Independent States and eastern Europe. "I view this as a tremendous opportunity as our countries begin to develop commerce," he said.

"The need for communications is going to grow dramatically," Mr Willcoxon said, adding that gains from the venture would be long-term but the need for such a deal was immediate.

Mr Willcoxon complained about western restrictions on high-technology exports imposed during the Cold War by the Paris-based Co-ordinating Committee on Multilateral Export Controls (Cocom).

"Many of us believe that these are an artefact of history and AT&T is working very aggressively to persuade those that need to be persuaded that this particular artefact be done away with," he said.

Cocom has allowed exports of only slow-speed fibre optic cables of up to 45 megabits per second because of fears that a high-speed link would make military communications more difficult to intercept. AT&T officials said there were 93 international circuits between Russia and the US, well below requirements.

Menem condemns 'diktat' of EC farmers on Gatt

By Andrew Gowers, Foreign Editor, in Strasbourg

ARGENTINA'S President Carlos Menem made a direct appeal to the European Community yesterday to override "the diktat" of its farmers and compromise over agricultural subsidies in the Uruguay Round trade negotiations.

In a speech to the European Parliament at the start of a tour of EC countries, Mr Menem said that by failing to agree to compromise proposals on farm trade the Community risked sparking a trade war.

"The reluctance of certain European governments to accept a progressive dismantling of agricultural subsidies will bring with it serious consequences for international trade," the Argentine leader said. "Can the principle of free trade, which should govern trade relations, be subordinated in the area of agriculture to the diktat of a definitively minority sector?"

Argentina is a member of the Cairns group campaigning for a liberalisation of farm trade in the current round of talks on the General Agreement on Tariffs and Trade.

Mr Menem also appealed to European companies to participate in his country's privatisation programme.

Corporate Sweden loses fear of capital inflow

The investment gap is closing as foreign participation last year reached SKr50bn, writes Robert Taylor

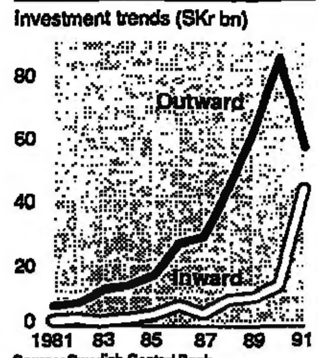
FOR so long a net exporter of capital, Sweden has suddenly become the focus for a dramatic inflow of foreign investment which promises over time to change the face of the country's corporate ownership.

The country's central bank is expected to reveal early next week that around SKr50bn (£4.8bn) of foreign investment flowed into Sweden during 1991. This contrasts with only SKr13.8bn in the previous year and a mere SKr9.7bn in 1989. During the whole of the 1980s the volume of Swedish investment flowing overseas was six times larger than the amount of investment coming into the country.

The closing of the investment gap, from SKr75bn at the end of 1990 to SKr14m for the last year, reflects partly the slowdown in the Swedish investment offensive abroad that grew so fast between 1987 and 1990, especially through mergers and acquisitions in the European Community.

Sweden

Investment trends (SKr bn)



Source: Swedish Central Bank

But the substantial increase in inward investment volume also indicates just how attractive Sweden is becoming for investment opportunities in the eyes of a growing number of foreign companies.

The country's leading business magazine, Affarsvarlden, calculated recently that inward investment rose by 400 per cent last year while the number of Swedes employed by foreign-owned companies tripled. An estimated 135 Swedish companies employing 40,000 workers were bought by foreign concerns over the past three years.

Sweden has witnessed some significant acquisitions by foreign companies. These include the purchase of Nobel Industry's consumer goods division by the German chemical group, Henkel; the take-over of Inter Innovation by its rival in security printing and payment machines De La Rue, the UK company; the acquisition by the Danish company ISS-International Service Systems of Electrolux's commercial cleaning services; and the purchase of Boliden Kemi by the Finnish company, Kemira Oy.

The pace of foreign investment continues. The UK-based Scapa materials group acquired the Swedish industrial company, Scandiafelt, last month while earlier this week the French data company, Cap Gemini, announced its plan to buy Programator, the Swedish data service company.

In addition, corporate Sweden has seen the growth of joint ventures and strategic alliances between domestic and foreign companies. The most notable have been the 50 per cent stake in Saab Auto taken by General Motors, Volvo's complex partnership with Renault, Gillette and JP Morgan's 47.8 per cent acquisition of Swedish Match, and the Norwegian company Freia's 49.6 per cent purchase of Marabou chocolate.

Swedish company shares are now more appealing for foreigners, an interest in buying helped directly by the abolition in December of the turnover tax on share dealing on the Stockholm bourse. At the end of 1991 foreigners held 8.1 per cent of the SKr552bn-worth of shares on the local stock market and it has been estimated that foreigners accounted for the purchase of between SKr15-20bn shares during last year. In 1992 Sweden's shareholders' association has estimated that up to SKr30bn more Swedish corporate stock could be bought by foreigners. The surge in foreign business interest in Sweden stems from a number of inter-related factors as the economy has become more deregulated and international.

The most important positive change has been Sweden's commitment to join the EC by 1995, coupled with the promise of financial stability through the pegging of the krona to the European Currency Unit, firm control of monetary policy using high interest rates if necessary, measures to cut costs, keeping inflation down to average EC levels, and improving productivity.

The country's non-Socialist coalition which came to power last October has speeded up liberalisation with a robust free market strategy. As many as 35 of the country's state-controlled companies are to be privatised.

Old laws restricting foreign companies are also being scrapped. Last month, the government made it easier for them to buy shares and real estate by abolishing a law dating back to 1916 which required non-Swedes to obtain permission from the public authorities to acquire voting shares or equity every time the purchase exceeded or was increased by 10 per cent of a company's stock.

Swedish companies are also being encouraged to rewrite their articles of association, enabling foreigners to purchase not merely "free" shares but also restricted voting shares, which up until now have enabled Swedish owners to protect themselves from take-over. The government plans to go further and legislate later this year to end Sweden's two-tier share system.

As an estimated 70 per cent of shares traded on the Stockholm bourse are at present restricted, such a change will have a profound effect.

Only a year ago, many observers lamented Sweden's ever-widening investment gap as a sign of the country's de-industrialisation, now it is being viewed as a positive sign.

Andean common market fails to deliver the goods

There are 90m people in the region but governments look elsewhere for trade, writes Sarita Kendall

AFTER TWO frustrating meetings convened to decide on external tariffs for the Andean common market, Bolivia, Colombia, Ecuador, Peru and Venezuela still have not reached final agreement.

Although the heads of state defined four main tariff levels (between 5 and 20 per cent) last December and stipulated that these would come into effect on January 1, 1992, Ecuador still insists on a long list of exceptions.

The December presidential summit accelerated the Andean Pact timetable, largely in recognition of the fact that most members were already opening up their economies at a fast pace. In concentrating on trade liberalisation, the presidents virtually buried a broader range of policies designed to promote regional industrialisation and development. But most experts believe that the original programmes – drawn up soon after the pact's foundation in 1969 – dated so quickly that if it had not been for the change of plan the pact would have slipped into obscurity.

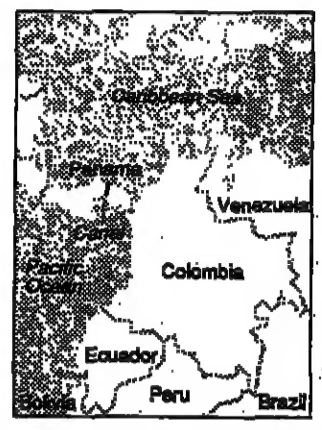
MEXICO and the five Central American republics have moved one step closer to reaching a free trade agreement this year, writes Damian Fraser in Mexico City.

The six countries have set up a technical commission that has 60 days to prepare a rough draft for the treaty. The treaty will be signed some time after the commission reports, perhaps as early as May this year. Mexico signed a free trade agreement with Chile in September last year and is currently negotiating a free trade pact with the US and Canada, and separately with Venezuela and Colombia.

The integration process was supposed to boost the regional market, promote technology and research, and develop key industrial sectors, according to Mr Germanico Salgado, former head of Ecuador's central bank. "Now there's none of this, no genuine substance or coherence. The common external tariffs are very low, giving no margin of preference," he said.

Trade between Andean Pact members has only represented between 3 and 15 per cent of the pact's total foreign trade. It reached $1.2bn (£660m) in 1981, with Colombia as the biggest exporter, then the crises of the 1980s deepened and intra-regional trade dropped back until 1991, when it rose to $1.7bn. Colombia's was the only economy to expand significantly during the past decade, and its relatively low birth rate ensured a steady increase in per capita income.

Although there are more than 90m people in the region, business and governments are most interested in North American and European markets. The geography of the Andean countries – two seaboards con-



nected by the Panama Canal and a forbidding chain of mountains slap through the middle of the region – has also made communications difficult. The private sector, which had little say in the Andean Pact's early programme, attributes slow progress on integration to government instability and changing policies.

But as the pact changes character, the private sector is beginning to take a more active role. "Integration is useful, for all the classic trade advantages – lower prices, competition and so on. We should not be too sorry about the companies that disappear because they are inefficient," said Mr Fernando Navarro, president of Ecuador's National Federation of Chambers of Commerce in Quito. "At least by legalising frontier contraband we shall be leaving an absurd fiction behind us."

In response to the liberalisation process, the Andean Financial Corporation is also reorienting its activities to give support to privatisation and strengthening private financial institutions.

Other regional blocs have proved more dynamic than the pact itself, causing friction among members: for example, Colombia and Venezuela, which are the main trading partners in the Andean region and have the biggest economies, have already agreed on common external tariffs along Andean Pact lines.

Impatient with the delay caused by Ecuador, Colombia and Venezuela also plan to forge ahead with Mexico in consolidating the Group of Three.

Ecuador's plea for special treatment rests on two main arguments – that it is a relatively small and under-developed economy and that Ecuadorean industries need to have very low tariffs for certain inputs.

"Metalworking, textiles, plastics and other industries developed on the input substitution model depend on inputs produced in the region. The producer wants a higher tariff for these, so there is a conflict of interest," said Mr Carlos Palacios, Ecuador's under-secretary for trade and integration.

In principle, the common input tariff rises from nought to 20 per cent according to the degree of manufacture. Negotiations are to continue in two to three weeks' time.

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Regional gloom dents prospects of a recovery

By Emma Tucker, Economics Staff

PROSPECTS for a recovery in UK manufacturing industry remain weak, with only two regions expecting a "slight" improvement in orders and output over the next four months.

Only the North West and the West Midlands – one of the regions worst affected by the recession – expect a small rise in orders while manufacturing firms elsewhere expect production to fall or remain flat.

The latest findings of the Confederation of British Industry, the employers' organisation, and Business Strategies Limited survey of regional industrial trends add to the bleak picture of the economy painted by the Bank of England in its Quarterly Bulletin. The Bank admitted that the economy was still in recession and did not predict when an upturn would occur.

Although little change in output or demand was expected over the next four months, the survey pointed towards a reshuffle in the fortunes of the 11 regions.

Scotland, which until now appeared to withstand the manufacturing recession comparatively well, expects a sharper than average fall in orders and output.

Scotland also recorded the biggest fall in optimism about prospects. Along with the North, the South East and the West Midlands this severe pessimism was a reflection of the gloomy outlook for exports, said the survey. Overall optimism also declined.

Looking back over the past four months, the steepest fall in new orders was in the West Midlands, Scotland and Wales. Total orders fell in every region - a finding at odds with expectations expressed in the last survey.

More modest falls in demand were recorded in Northern Ireland, East Anglia, and Yorkshire and Humberside.

Job losses in manufacturing industry as a result of falling output were reported across the UK. The fastest rate of decline was in the South East with East Anglia and the North West close behind.

Ozone threat prompts UK to act by 1995

By Clive Cookson, Science Editor

The UK will stop making ozone-destroying chemicals by the end of 1995, the Department of the Environment and ICI – the country's largest chemical manufacturer – said yesterday. That is two years ahead of the current EC deadline of 1997 and five years ahead of the internationally agreed Montreal Protocol.

The UK commitment matches the announcement by President Bush on Tuesday that the US would stop producing chlorofluorocarbons (CFCs), the chemicals causing most damage to the earth's protective ozone layer, by the end of 1995.

Both countries are accelerating the phase-out of CFCs in the light of alarming new evidence that the upper atmosphere is losing ozone far more rapidly than scientists had realised previously. An "ozone hole" may appear over densely populated regions of the northern hemisphere, letting in harmful ultraviolet radiation from the sun.

But the environmental groups Greenpeace and Friends of the Earth said yesterday that it was not enough for the UK just to echo the new US timetable. Ms Tracy Heslop of Greenpeace called for an immediate ban. "All John Major has to do is pick up the phone to ICI to stop the production of ozone destroyers," she said.

Mr John Beckett, who is managing ICI's phase-out of CFCs, said an immediate halt was not practical because many users still had no available substitutes for CFCs. ICI halved CFC production from 80,000 tonnes in 1986 to 40,000 tonnes last year, and the company has committed £200m to development and manufacturing of alternatives.

People are still not taking the CFC phase-out seriously enough, according to Mr Beckett. "We at ICI have had a free CFC-recycling and recovery scheme for some time and we're very disappointed at the response," he said.

He added that ICI's new plant at Runcorn in Cheshire, which produces a non-ozone destroying substitute for CFC coolants, was running below full capacity.

Britain to use EC role to check green legislation

By Bethan Hutton

ESTABLISHING an audit inspectorate to check implementation of EC environmental legislation will be one of Britain's priorities during its presidency of the EC, the government indicated yesterday

Mr Michael Heseltine, environment secretary, told the House of Lords select committee on Europe that a Europe-wide inspectorate was needed to provide a "level playing field" with common environmental standards.

He said it was needed to make sure all signatories to directives were fulfilling their obligations. Mr Heseltine said the idea won backing at his meeting with the European Commission last month.

The proposed inspectorate would oversee national environmental inspectorates in member states. It would be modelled on the european fisheries inspectorate, which employs a small team of inspectors.

Mr Heseltine said that it would be the duty of European inspectors to check that monitoring procedures were scientifically credible and technically effective, and that samples were taken regularly.

Other environmental issues to be given priority during the British presidency would be the regulation of waste movement, zoos directives and integrated pollution control, Mr Heseltine added.

Party lines rob electors of rational debate

Politicians struggle to avoid gaffes in the pre-election campaign, **Phil Stephens** reports

THE FIRST casualty of elections is rational debate. Between now and April 9, the date most observers believe the prime minister favours, ministers and their opposition 'shadows' have a single priority: they must stick to what their respective leaderships decree is the party "line".

The political imperative is that all the prominent figures speak with precisely the same voice. The content of their pronouncements becomes of secondary significance. There must be no splits, wobbles or divisions. For the next eight weeks party strategists and journalists will do little but scan every spoken and written word for such gaffes.

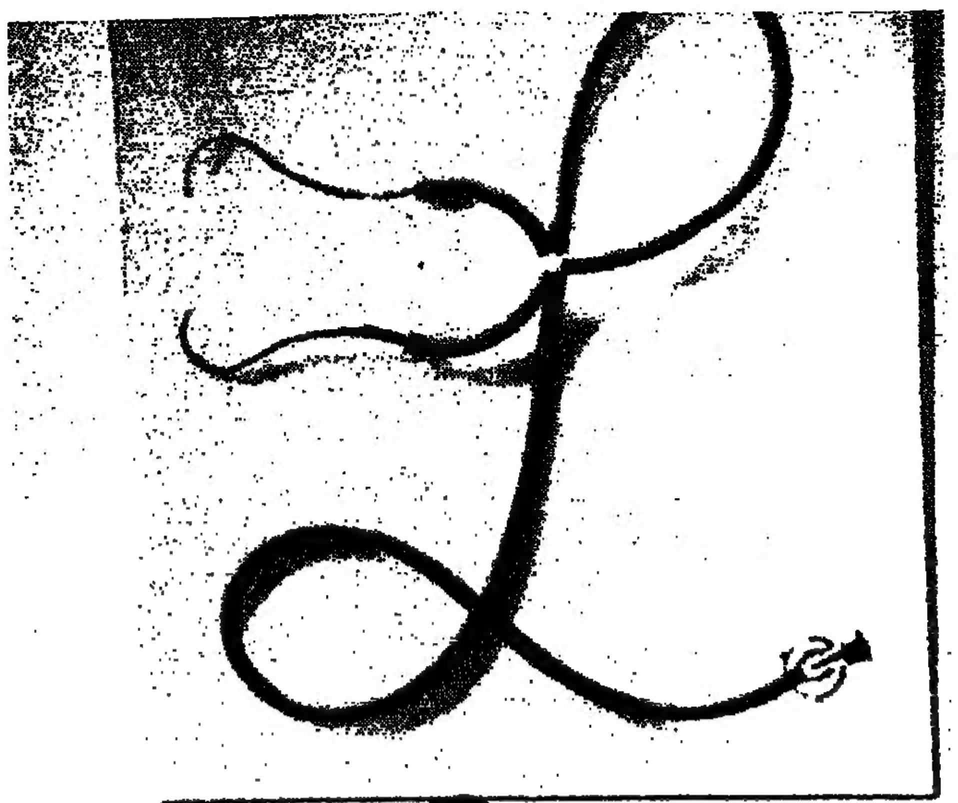
Yesterday the pre-election campaign was again in full swing. The Conservatives launched a sharp attack on the Labour Party's plans for education in Britain, accusing them of reversing the drive towards higher standards, saying that the result would be to turn children into dunces.

Labour, meanwhile, accused the government of "fiddling" the books to prove that they had cut waiting lists for hospitals. Labour says that the number of patients removed from lists without treatment has risen by 82 per cent.

As the search for embarrassing gaffes continues, Labour is most obviously vulnerable. The Conservative assault on its tax and spending policies took off because some of the shadow chancellor's colleagues were heard playing slightly different tunes.

Mr John Smith would prefer a Trappist silence – at least until after the Budget on March 10. His strategy has not won universal approval in the shadow cabinet. In any event neither he nor his colleagues can escape the questioning of the media.

Inevitably variations show up in the textual analysis. This was underlined again this week by Labour's deputy leader Mr Roy Hattersley's, in his comments on the top rate of tax. Differences of emphasis can become transformed into behind-the-scenes rows and personality clashes. Party strategists argue for more rehearsals. Mr Smith is under pressure to simplify Labour's tax and spending pledges and re-issue them on a single sheet of paper.



Ashley Ashwood

Labour's Robin Cook, Jack Cunningham (centre) and Harriet Harman turned their attention to health yesterday as the parties continued their pre-election campaigns

Discussion on the Labour front bench about possible changes to the way public borrowing is treated in the national accounts has been similarly troublesome.

There is a perfectly good argument for adjustments to the present conventions. No private company could treat, as the government does, the receipts from asset sales as negative current spending.

But senior Labour strategists have decided that however coherent the case for change, it is better to try to suppress the debate. They find it too easy to see the headlines declaring "Labour plans to fiddle the books".

The Conservatives have proved more adept. The daily co-ordination exercise between the five ministerial musketeers led by Mr Richard Ryder, the government's 'chief whip' in charge of party discipline, is repaying its initial investment.

Ministers anyway are more practised than their shadows The day-to-day business of government ingrains the habit of sticking to the line.

But the musketeers have decided that there are some debates in which they must not engage.

Scotland provides the most obvious example. In private, ministers readily confess that the upsurge of nationalist sentiment north or the border may require a radically different approach after the election.

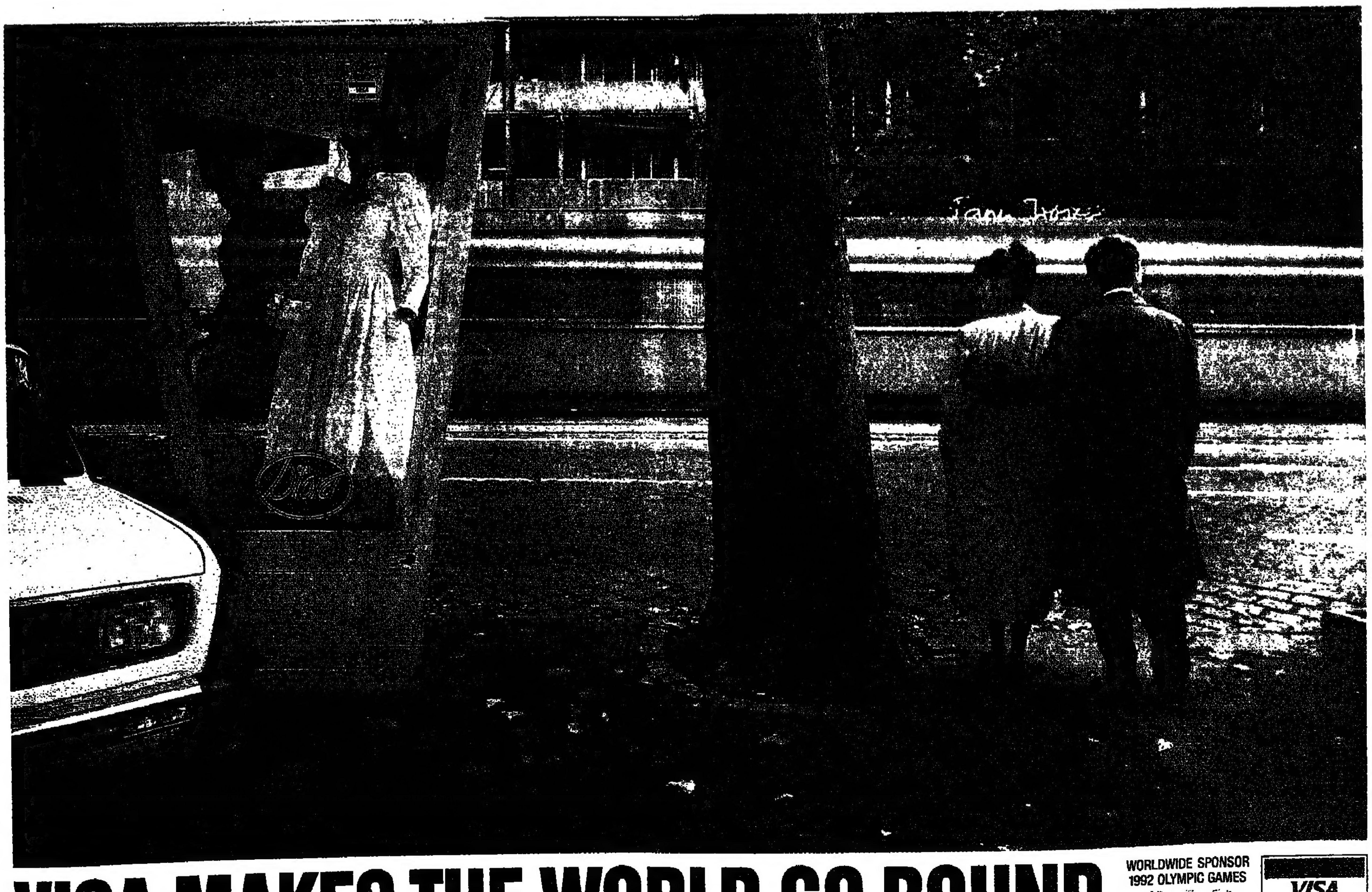
But that must not even be hinted at in public before polling day. Until then the line must be that the only choice is between independence and the Union. That way the Scottish National Party may take votes from Labour and in the process save some of the remaining Conservative seats.

Mr John Major has not been immune from the pressures which have boxed Mr Neil Kinnock over taxation. He has been obliged to give unequivocal commitments - not to increase value added tax, not to abolish the ceiling on National Insurance contributions - which foreclose perfectly rational options.

Tacit collusion has so far allowed the two main parties to avoid the same trap on the environment. Neither seem ready to make it an election issue. Only the centrist Liberal Democrats are willing to discuss the sharp increase in the price of fossil fuels which every politician with an interest in the subject regards as inevitable. As one minister puts it: "We all know that in the end we will have to introduce some form of carbon tax. But for God's sake don't quote me."

It is not hard to imagine that the question will be put directly to Mr Major and Mr Kinnock over the next few weeks; or that both will answer that they would not dream of increasing domestic heating bills or, like the Liberal Democrats, putting 50p on the price of a gallon of petrol.

So who loses from this widening gap between private reality and public pledges? In the first instance it is the voter who is denied the rational debate. But perhaps the bigger loser is the winner of the election. Mr Major and Mr Kinnock are busy making their own straight-jackets.



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UK lawyers criticise legal aid reforms

LORD MACKAY, the Lord Chancellor, stood firm yesterday in the face of a mass meeting of lawyers protesting at government plans to overhaul payments for legal aid work in Britain's lower courts, writes Robert Rice.

The lawyers criticised Lord Mackay, the country's most senior law officer, over plans to introduce fixed fees rather than hourly rates for legal aid, the state-funded payment to lawyers representing defendants in criminal cases who cannot afford legal costs.

The Lord Chancellor told 2,000 lawyers gathered in Central Hall, Westminster: "Only those who do not have to face the harsh realities could believe that any publicly-funded legal service could be provided without regard to price." He made it clear he would not be intimidated by threats of strike action.

Mr Alastair Logan, the solicitor who represented two of the Guildford Four, said fixed fee proposals, coupled with below-inflation increases in fees, represented a "life-threatening attack" on legal aid.

The planned fixed fees system would benefit solicitors by speeding up payments and reduce administration costs, Lord Mackay said.

Government faces calls to simplify fraud cases

By David Owen, Robert Rice, Richard Donkin, and John Mason

PRESSURE on the government to find a solution to the problems of complex and unmanageable fraud trials increased last night when the Labour opposition announced it would streamline the role of the various agencies with fraud-related responsibilities.

A Labour government would also consider appointing specialist legal advisers to juries involved in complex fraud cases and would also consider giving prosecuting authorities the opportunity to choose between civil and criminal proceedings, Ms Marjorie Mowlam, the party's City affairs spokeswoman said.

It would not, however, move to end jury trial in fraud cases, she said, as this would undermine "basic civil rights".

Ms Mowlam argued that there was much duplication of effort among the various bodies with fraud-related responsibilities, including the Serious Fraud Office (SFO), the Crown Prosecution Service, the Department of Trade and Industry, the City self-regulatory organisations and the Stock Exchange.

The SFO confirmed it was pressing the government for its officers to have interviewing powers consistent with those of DTI inspectors.

Mowlam: seeking reform

Some of the biggest SFO prosecutions, including the Guinness and Blue Arrow cases, have had to rely heavily on DTI inspectors' reports. Giving these powers to the SFO could speed up the time spent preparing cases for trial.

Mrs Barbara Mills, the outgoing director of the SFO, is also known to believe that preliminary hearings prior to fraud trials could be improved.

In the Commons, Mr John Redwood, corporate affairs minister, refused to comment on individual cases but confirmed that Lord Mackay, the Lord Chancellor, was reviewing court procedures.

Mr Redwood assured the House that the government would take "every action to bring villains to book".

Earlier, Lord Mackay had acknowledged the need for urgent attention to be given to the issue but had warned that there was no easy solution.

He said he agreed with the comments made by Mr Justice Henry when the second Guinness trial collapsed.

The trial judge said: "We must find a cheaper and quicker way to deal with serious fraud trials, and the likelihood is that we shall need a radical solution rather than merely tinkering with existing procedures."

Pressure on the government to act is likely to increase further later this week when the year-long Blue Arrow trial ends. The jury is still considering its verdicts, having been sent out on Tuesday morning.

With costs estimated at around £40m, Blue Arrow is by far the most expensive criminal prosecution ever brought in the UK.

Verdict on the longest trial of all

The problems caused by long and complex trials have been highlighted this week by the collapse of the second Guinness case and by the imminent end of the year-long Blue Arrow trial. Paul Cheeseright, Midlands Correspondent, reports on the costs and strains of the longest trial of all, which ended in a Nottingham court last week.

THE courtroom is being dismantled. The computer screens have gone. Eleven jurors have been left to pick up the threads of their lives. The lawyers have moved on to other cases. The UK's longest criminal trial is over: 17 months to reach the point of verdict.

The state paid for the investigation. The state paid for the prosecution. It paid for the court. It paid, through the legal aid system, for the greater part of the defence. The only thing for which it did not pay was the loss suffered by the victims of the fraud that led to the case in the first place.

This was the Britannia Park fraud case. It was heard in two offices specially converted and joined together on the top floor of Nottingham Crown Court.

"We invited the prosecution and defence counsel to come to an empty room and say what they wanted," recalled Ms Elizabeth Folman, the East Midlands courts administrator. And they chose tables and chairs and half a dozen computer screens for the jurors. A "portacourt" was brought in to give the judge, Mr Justice Potter, a bench.

Here, with a view of a multistorey carpark, the immediate future of Mr Peter Kellard, fellow directors and business associates of Britannia Park was played out. Mr Kellard and three other directors are starting prison sentences this week of up to four years.

It was a successful prosecution. "It is always worth it if you're bringing wrongdoers to justice," said Assistant Chief Constable Don Dovaston of Derbyshire police, which interviewed 390 witnesses in the UK and around the world between 1986 and 1989, compiling 5000 pages of statements and obtaining 2600 documentary exhibits.

When the police came into the case, following the £9.34m collapse of Britannia Park, they found a theme park designed to honor UK achievement which, although opened to the public, was only partly built. Their inquiries enlarged rapidly to encompass fraud.

"More than one person has said the case was as serious as Guinness One [the first trial involving the Guinness takeover of Distillers], but more complicated," noted Mr Bernard Carnell, a partner in Offenbach and Co, the London solicitors which acted for Mr Kellard.

But cracking open the case showed the system under strain. "Nobody would argue with the proposition that the system finds it difficult to cope with these complicated issues," observed Professor Michael Levi, of the University of Wales, who is examining the conduct of fraud cases for the Royal Commission on criminal justice.

The strain was evident both during the investigation and during the trial. Mr Dovaston explained that a squad of 10 officers had to be set up, drawing in those from the Derbyshire police with fraud experience. But the complement increased to 40 when arrests were imminent. According to the inspector of constabulary, the problem for the Derbyshire police was that the force had been underfunded for the past nine years. Britannia Park swallowed resources.

So did the trial. The Lord Chancellor's Department has a notional figure of £1,900 a day to cover the basic accommodation cost and the expenses of judge and jury. That would mean that just holding the trial cost almost £500,000. But the Crown Prosecution Service has calculated that its spending on lawyers has cost up to £1m. The legal aid bills have yet to arrive.

All but one of the five defendants received legal aid. Seven firms of solicitors were involved. Their costs alone could come to around £1m. The length of the case means all the lawyers will have to put in special bills.

For the lawyers, the length and detail of the trial turned the case into an intellectual tour de force. "Every part is magnified by a factor of ten from one's normal experience," said Mr Timothy Barnes, the Crown's prosecuting counsel. His opening speech took 44 hours, his closing speech 33 hours.

The jury, praised by Mr Justice Potter, for their "quite remarkable care, attention and patience," watched the seasons change outside. One of 12 fell out after a few weeks. Had another been forced to withdraw, the trial would have had to be held again. They saw a flasher, chased by a policewoman, tumble to his death off the top of the carpark. And they listened and looked at their screens.

The question of their ability to absorb all the evidence - for the prosecution, 158 witnesses and 118 statements, and for the defence 28 witnesses and six statements - has quickly been posed.

Mr Carnell said Mr Kellard wanted to appeal: "The Court of Appeal will be asked to consider - can a court ever be sure the jury has assimilated the facts, how can you be sure they have taken into account the evidence of October 1990 and been able to balance it off against the evidence they heard in October 1991?"

Rail unions launch anti-privatisation drive

TWO of Britain's rail unions yesterday entered the pre-election campaign with a warning that rail privatisation could cut services in government-held marginal consitituencies, writes Catherine Milton.

The £70,000 campaign by the RMT and TSSA will urge voters in 62 parliamentary seats where the Tories have slim majorities not to vote for candidates who support privatisation.

The campaign began yesterday with the distribution to all BR employees of a leaflet setting out the unions' view of what privatisation will mean to them.

Mr Jimmy Knapp, general secretary of the RMT transport union said the Conservative Party was planning to include rail privatisation in its election manifesto: "We know that the privatisation of British Rail will result in the destruction of much of our rail network.

"There will be closures of lines, fewer trains, much higher fares and when the drive for profit takes over safety margins will become depressed and narrower."

He said privatisation would drive passengers away from trains and lead to further congestions on roads. Privatisation threatened the jobs of a third of RMT members, some 40,000 rail staff.

Rejecting the claims, Mr Malcolm Rifkind, Transport Minister, said privatisation would lead to railway expansion.

BRITAIN IN BRIEF

'Dirty tricks' allegations erupt again

FEARS about pre-election "dirty tricks" have resurfaced after it emerged that academic files were rifled last year at the the University of Wales, Cardiff, where Mr Neil Kinnock, Labour leader, studied.

The university confirmed that burglars had scattered files on other students across the floor during a break-in on October 8. However neither the files on the academic record of Mr Kinnock, or his wife Glenys, appeared to have been tampered with.

Mr Kinnock studied history and industrial relations at Cardiff in the early 1960s. The disclosure added to speculation at Westminster that thieves might be trying to obtain background information on senior politicians. Conservative, Labour and Liberal Democrat MPs have all suffered break-in's at Westminster and constituency offices.

Confidence dropping

Confidence in the recovery of the commercial property industry has diminished during the past three months, according to a survey by Gallup, the research group.

More than half the property companies and funds questioned did not expect an upturn in the market for at least one to two years. The survey found that 64 per cent of respondents believed conditions would improve and 9 per cent believed they would worsen. Last October 75 per cent of respondents thought conditions would improve and 3 per cent thought they would worsen.

Repossessions rise sharply

The Labour Party has claimed that mortgage statistics to be released by the Council of Mortgage Lenders today will show that 78,000 homes were repossessed in 1991, up from 44,000 in 1990. Figures leaked to the party were said to indicate that 270,000 households were more than six months in arrears at the end of December 1991, an increase of 50,000 on the figure for the end of June.

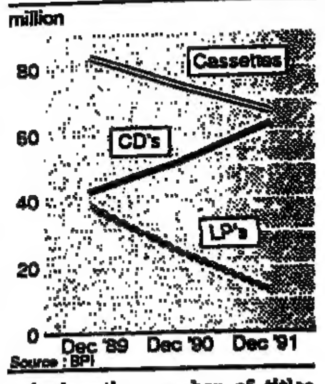
At the same time, Labour published new research showing that homes empty because of mortgage repossessions now outnumber homeless families in temporary accommodation in every region of England except London. There are 220,000 empty homes on the market left unsold by the housing slump, according to Labour.

CDs outsell LP records

Compact discs outsold long-playing records by almost five to one in the UK last year, according to provisional figures compiled by the British Phonographic Industry (BPI).

In 1990, CDs outsold vinyl albums by only two to one. Music companies have been reducing the number of titles available on vinyl and WH Smith, the retailer, announced earlier this year that it would stop selling long-playing records.

Album sales



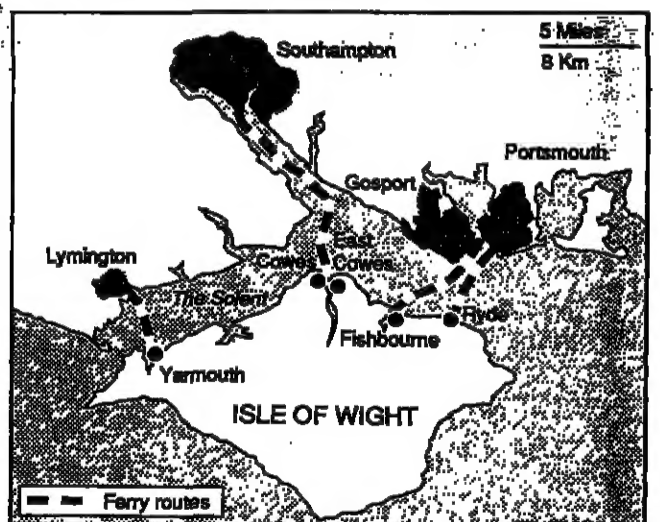
Source : BPI

Music companies and record stores say their decision to limit vinyl sales reflects growing consumer preference for CDs. Mr Rupert Perry, UK managing director of EMI Records, said: "If the consumer was still interested in vinyl, we would continue to put it out."

PowerGen to get concession

Professor Stephen Littlechild, the electricity regulator, is to allow the generator PowerGen to sell more power directly to large electricity customers.

His ruling, which follows an equivalent decision in favour of the generator National Power last week, will mean PowerGen can sell to more customers without going through one of the 12 regional electricity companies.



Ferry operators on services to the Isle of Wight – labelled the world's most expensive route by aggrieved islanders – have been cleared by the Monopolies Commission of acting against the public interest. The watchdog said the services did not abuse UK monopoly rules.

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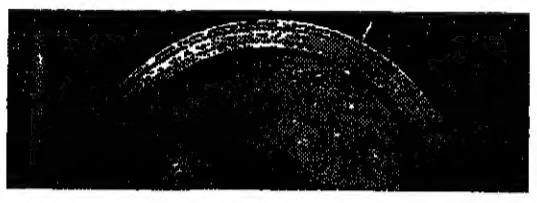

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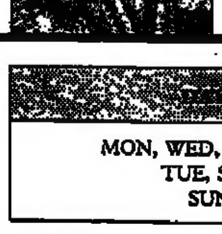

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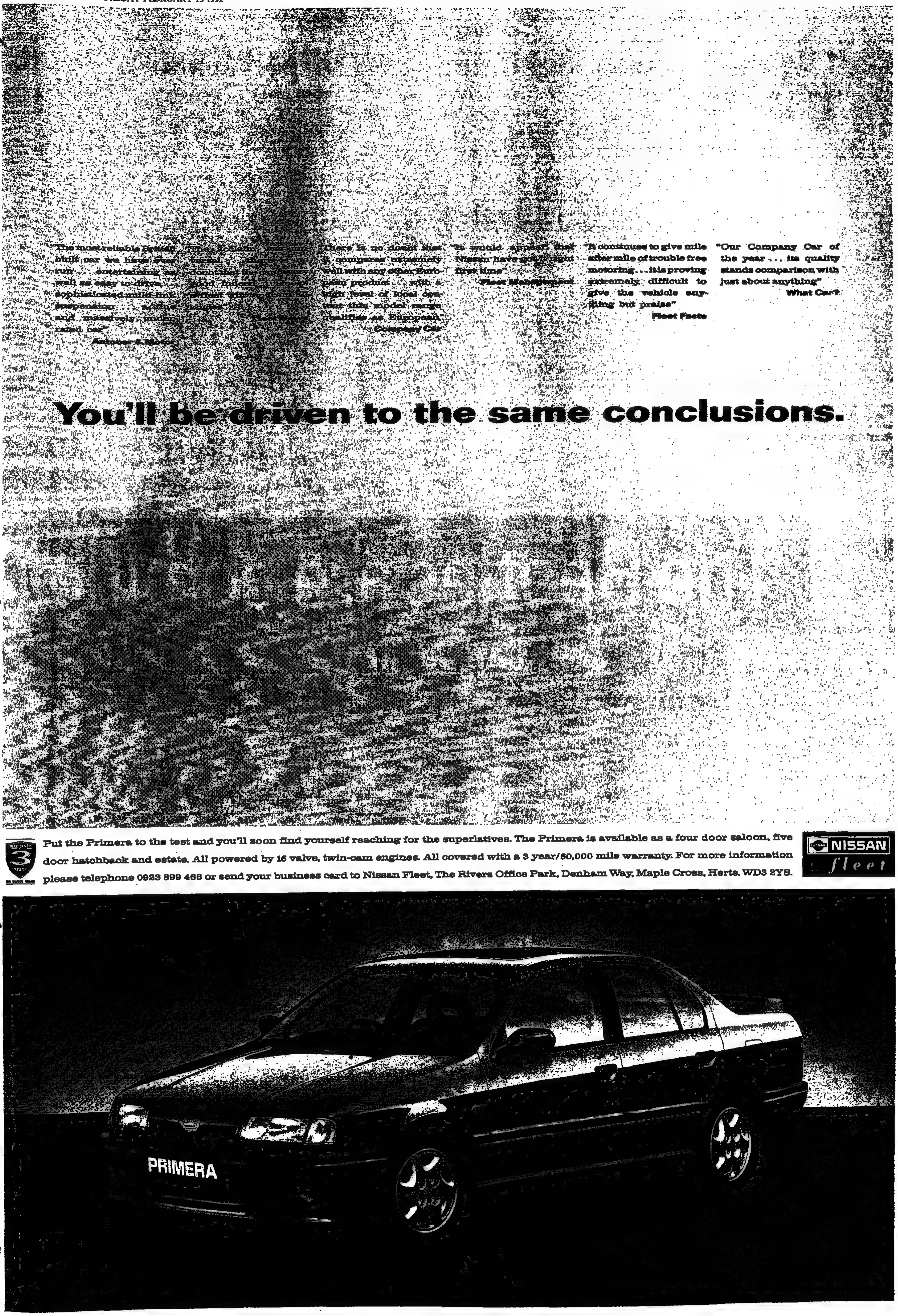
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BUSINESS LAW

Gulf war aftermath highlights risks of performance bonds

By John Featherstone

The *economic fall-out from the Gulf war has emphasised the inherent risks in performance bonds which are used in international trade.*

These bonds were designed to be easy to call on – but there is always the corresponding danger that banks and British suppliers may have to honour calls for repayment which are based on false statements made by purchasers. Once a bond is in place, the law can do little or nothing to prevent payment, no matter how unfair *this may seem.*

The current political situation in the Gulf, combined with the number of British companies supplying goods to Iraq and involved in the ambitious Iraqi building programme before war broke out, make it likely that a disproportionately large amount of capricious claims will emerge from Iraq.

After the invasion of Kuwait the UK government, along with the *European Community* and the US, imposed sanctions on Iraq, and these included the prohibition of payment under performance bonds to Iraqi residents. Many British suppliers must have been relieved: those who had failed to meet commitments as a result of the *Gulf war would not have to* fund payment under the bond as long as sanctions were in place.

However, once the *sanctions* are lifted, the banks will have to pay if they receive a demand that meets the requirements of the bond, whatever the circumstances. For this reason, banks must continue to safeguard their right to claim a counter-indemnity from suppliers.

Suppliers have therefore found to their cost that banks are, quite legitimately, not releasing security while there *is a possibility that they may* have to make a payment under a bond. This possibility will remain unless a demand under the bond is withdrawn or – and this is most unlikely – unless the UK enacts further legislation to absolve suppliers and their banks from liability to Iraqi banks and purchasers, in appropriate circumstances.

Current sanctions prevent all payments under performance bonds with Iraq – even those called justifiably, in connection with events or defaults by suppliers before the hostilities. Once sanctions are lifted, suppliers who defaulted prior to hostilities will clearly not have *grounds for complaint* when payment has to be made.

But more worryingly, some suppliers are bound to be victims *of* unjustifiable calls; in addition, suppliers who are unable to meet their contracts because of the hostilities will nevertheless be expected to pay if they receive a call.

In order to understand the potential weaknesses of performance bonds more fully, and to consider how to avoid capricious calls, it is necessary to consider how the bonds work.

As a rule, a bond is issued by *a bank at the request of its* customer – the supplier – who is selling goods or services to a purchaser, usually based in another country. The bond is normally issued in favour of a purchaser's local bank, so that he can pursue any claim in his home country.

The supplier agrees to indemnify his bank against any payment it might have to make as a result of the bond. The *supplier's bank then asks* the local bank to issue the bond and provides it with a similar indemnity.

This contract between the two banks may contain a pitfall for suppliers: depending on how the bond is negotiated, the contract may be governed by the law of the local bank. This *is to be avoided if possible, as it may leave suppliers uncertain as to how any dispute* might be resolved.

The underlying contract between supplier and purchaser will almost certainly provide that, if the supplier defaults, the purchaser can call on the bond. He can do this by making a simple demand for repayment and, if required, by producing relevant documents. *It is important to bear in mind* that the purchaser does not need to prove any allegation of default.

When the purchaser makes a demand, this sets off a chain of indemnity. The local bank is obliged to pay the purchaser, triggering the local bank's call on the supplier's bank, and the supplier's bank's call on the supplier. The banks are not concerned with any dispute as to whether the supplier is in breach of his agreement with the purchaser. A bank which fails to pay without good cause can suffer immense damage to its international reputation.

The purchaser is not usually required to give reasons for his demand, apart from, in some cases, a statement that the supplier is in breach *of* obligations to the purchaser, or that the purchaser has asserted such a breach. This means that unscrupulous purchasers can demand payments from the bank or local bank, even if there has been no breach of the underlying contract. Indeed, some purchasers regard the calling of performance bonds *as a legitimate way to obtain* a discount.

To avoid being outmanoeuvred in this way, suppliers should ask their banks to include wording that requires the purchaser to substantiate his complaint. However, some purchasers and local banks make an outright refusal to accept anything other than the traditional wording.

Ideally, purchasers should be required to make a series of detailed statements and to produce documents in a given form. This should discourage some from making false statements. Those not so deterred will at least be committed to a stated position which may be of use to the supplier in any subsequent legal dispute.

However, the use of a fuller demand still does not require banks to check the truth of the statements or to refuse payment because they might be false. The sole exception occurs in all cases when the bank has manifest evidence of fraud – but such evidence is hardly ever available and the bank cannot be expected to adjudicate between the parties.

If sanctions against Iraq are lifted, it is most unlikely that a supplier will be able to enlist help from the English courts to *prevent payment* under the bond, even if he cannot how perform his side of the underlying agreement because of the Gulf war.

Some have suggested that a supplier could invoke the legal doctrine of frustration by claiming that the Gulf war had made it impossible for him to fulfil the underlying contract, thereby discharging the obligation between himself and his bank, or between his bank and the local bank.

This ploy is unlikely to work, however. As a matter of law, the doctrine of frustration is not invoked by hardship, inconvenience or material loss. Instead, it focuses on any change in the significance of a contractual obligation.

Since the obligations under the bond are independent of the contract, it would be irrelevant to argue that the contract itself had been frustrated by the hostilities. It is difficult to see any circumstances in which the obligations imposed by the bond could be avoided by frustration or otherwise as a result of the Gulf war.

It is even more *difficult* to say whether the government should consider further measures to absolve suppliers and their banks from all liability in appropriate cases. There would be practical difficulties, especially where obligations between the supplier's British bank and the Iraqi local bank are governed by Iraqi law and/or by an Iraqi exclusive jurisdiction clause.

In such cases, any pronouncement by the UK is unlikely to affect the liability of the supplier's bank to the local bank. If the supplier's obligations under the bond were cancelled by English law, this would leave his bank potentially out of pocket through meeting a call under the bond from the Iraqis, without being able to claim counter-indemnity from the supplier.

There is also the wider concern *that London* should continue to be seen as a world financial centre in which bonds will be honoured, come what may, without government interference. If obligations under bonds to Iraq were discharged – albeit due to *what we might* consider to be exceptional circumstances – this reputation would be tarnished.

The lesson to be drawn for the future is that suppliers whose customers ask them to take out a bond should consider the ramifications carefully and take good advice. Those who already have bonds in place with Iraq can only hope for the continued protection of *sanctions.*

It is interesting to note that current sanctions against South Africa apply only to trade in military equipment, broadly speaking. It is unlikely that payment under performance bonds will be singled out for special treatment and continue to be prohibited, *if* the government should choose to modify its objective of preventing the inflow of capital to Iraq.

The author is a solicitor with City firm Lovell White Durrant.

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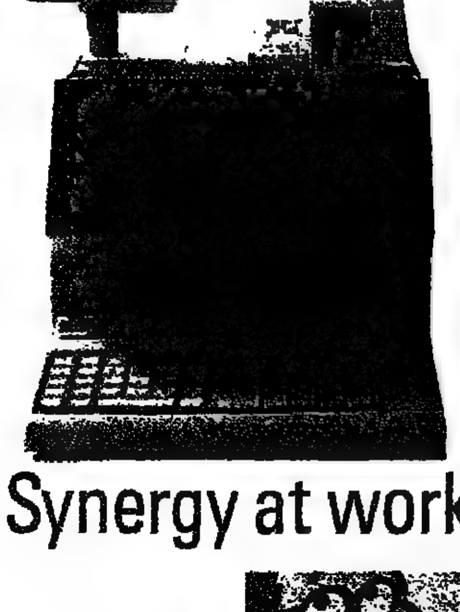

Synergy at work

MANAGEMENT: Marketing and Advertising

Swallowing Popcorn

Gary Mead peers into the future with a trend spotting guru

ANYONE who chooses to change their surname to Popcorn risks not being taken seriously. And if the first name name is Faith, and the business is commercial futurology, then surely all hope is lost?

Not so fast. Faith Popcorn is the author of 'The Popcorn Report' which has sold 80,000 hardback copies in the US. Popcorn's marketing advisory service, 'BrainReserve', has been employed to spot consumer trends for almost 20 years for big-name clients such as American Express, AT&T, Colgate-Palmolive, IBM, Philip Morris and Procter & Gamble.

Popcorn's book, now published in the UK*, is a distillation of her marketing gambits, a gaudy collection of invented terminology wrapping up both real and fool's gold.

Stuart Bull, chief executive of the advertising agency KHBB (part of Saatchi & Saatchi group), says the book's "good commonsense nuggets are heavily disguised by 'PopSpeak', the illusion that putting two words together and retaining their initial capitals gives a thought proprietary *gravitas*".

One of BrainReserve's formulations is "Advernews: A future customised newspaper, printed off your home *computer screen*". Others include "Foodaceuticals: A new food industry...Food, beyond simple nourishment – with medicinal *qualities*...", and "Trendbending: The process of 'reshaping' a product, business, or idea to the trends..."

According to Popcorn, the book deals not just with current fashions but also future spin-offs: "It's designed to give you a quick picture of the future so you can understand your present. It's like driving around at night without your headlights on. We just turn the *headlights* on."

So what are some of her views of the future? She says that 'virtual reality', that form of computer technology which gives its user a three-dimensional feel, will displace traditional supermarket shopping. She believes that consumers are becoming so enraged with allegedly socially irresponsible companies that they will be drawn towards competitors which offer added values, such as *a healthier "corporate soul"*, meaning acknowledging mistakes and making themselves more publicly accountable. She thinks "Cause Marketing", whereby companies vouchsafe charitable donations when consumers make purchases, will expand. These ideas are hardly novel; Stuart Bull published an article on the impact of virtual reality technology – in 1973.


Lydia van der Meer

Faith Popcorn: "I couldn't ever tell a client to do something that would't be good for business, it would be unfair"

Popcorn says that 'Cocooning', perhaps her best-known formulation, and one which is arguably a real contribution to the marketing lexicon, is already with us; people are increasingly concerned to buy products and services which protect them from the harsh and unpredictable realities of the outside world. Some other trends she identifies are:

- Fantasy adventure: consumers looking for products and services *which add spice to mundane existence.*
- Small indulgences: small-scale luxuries which massage bruised selves.
- The vigilante consumer: whose pressure will manipulate marketing managers to re-think business ethics.

Alongside the identified trends are many prescriptive philanthropisms, one being that companies should begin to appoint children to their boards. "Children are very nervous about their future and I think they should have a vote. Kids should be on the boards that dictate and pollute their future," says Popcorn.

But is IBM, whose current corporate soul Popcorn thinks is "not too great", likely to appoint a child as a non-executive director? "Did we ever think that children would write to Tony O'Reilly and make them (Heinz) stop using drift nets to catch tuna? The kids wrote to him and he stopped. Then everyone follows. Maybe someone like Anita Roddick (of the Body Shop) will put a child on the board."

The book baldly states that the most important message for marketing in the 1990s is that we should be hopeful that tomorrow will be better than today. But that is of little practical help; according to Bell, what is fundamental to trendspotting is "gauging the underlying level of consumer confidence".

Moreover, polishing a company's ethics ignores one basic obstacle; marketing managers have as their *raison d'être* the principle 'sell more', which is rather difficult in a slump.

But even in PopSpeak, some traditional values remain. "We think 'doing the right thing' will be good for business. I couldn't ever tell a client to do something that wouldn't be good for business, it would be unfair. We really believe it sells product, the bottom line is about selling product." That's good old fashioned faith.

**The Popcorn Report – Revolutionary trend predictions for marketing in the 90s; published by Century, £14.99.*

White Horse shows a lot of bottle

Philip Rawstorne reports on efforts to promote Scotch whisky

United Distillers, the Guinness spirits company, sold more bottles of its White Horse Scotch whisky in Japan in the final quarter of 1991 than in the preceding nine months.

It was the first evidence that a £2m, three-year investment in repackaging the product was paying dividends.

For more than 100 years, White Horse has been one of the industry's leading brands. Sir Peter Mackie, the Scottish distiller who launched it in 1890, gave it a distinctive taste by using three particular malts in the blend – Lagavulin from Islay, and Craigellachie and Glen Elgin from Speyside.

At a time when most distillers branded their products with their family names, he also distinguished his whisky from competitors by naming it after an Edinburgh tavern.

The White Horse brand rapidly gained popularity and sales as a result. Today, Mackie's original blend is one of the top 10 Scotch whisky brands, with total sales of 2m cases a year in about 100 countries.

The brand, part of UD's portfolio since the takeover of DCL in 1986, occupies different positions in several markets. In the UK, for instance, it is a "value-for-money" brand, priced between UD's market leader, Bell's, and the cheaper Vat 69. In Japan, White Horse leads the premium blended sector, selling at Y3,800 (£13) a bottle compared with Johnnie Walker Red, Cutty Sark and J&B, at about Y2,500.

But UD's global marketing, with local adaptations, has been based on the brand's long-established appeal to consumers. Advertising campaigns have focused on the distinctive taste of the whisky and the images of freedom and independence conveyed by wild white horses.

Three years ago, however, signs of a weak link in the marketing mix emerged from consumer research in all the White Horse markets from Japan to South Africa and South America.

David McNair, UD's brands director, says: "The consistent message coming back to us was that the packaging no longer did full justice to the brand".

The bottle – a standard design in clear glass – and the labelling had been largely unchanged for 30 years. They were seen as outdated, no longer reflecting the brand values conveyed by the advertising. New designs were developed and consumer reaction to them was researched in the UK and other European countries, Japan, South America, and South Africa.

One design – a squat, slightly bell-shaped bottle – won approval for its distinctive and contemporary appearance in every market but one. Japanese whisky drinkers overwhelmingly plumped for an alternative: a tall bottle with a short, angular neck.

The importance of the Japanese market persuaded UD to introduce the preferred design last September. The rise in sales that has followed may exaggerate the effect of the change, but there is no doubt the initial impact on the market has been considerable.

In the UK and other world markets, the brand will be progressively re-launched this year in the short, squat bottle, with a crisper, cleaner look to the labelling.

UD's bottling lines in Glasgow have been modified and every aspect of the design has been rigorously tested from its appearance on a supermarket shelf to its ability to withstand the roughest handling.

The grooming of the White Horse has been a long, painstaking, and expensive business but UD believes it will have greater appeal to consumers worldwide as a result.

Pioneering spirit at the corporate karaoke session

Singalonga Matsumoto

One night, as he mingled with other Tokyo businessmen intent on forgetting their worries with a drink and a song, Seiya Matsumoto, president of Pioneer, had a thought that was to alter the course of his company's history.

The head of the Japanese audio company had been joining in a sing-along when he noticed a drawback to the conventional karaoke format using audio tapes: whenever someone asked for a song, everyone had to wait until it could be found.

Matsumoto's experience led Pioneer to develop systems for karaoke using laser discs, a move which was to mark the first significant success for the group in its plan to become a diversified consumer electronics group and establish its place in the growing market for audio visual products.

Since the early 1970s, Pioneer had been hoping to expand out of the specialist audio market.

Although it had been producing TVs and experimenting with VTRs, Pioneer was already well behind its bigger, stronger competitors which dominated the market.

Pioneer was a small fish in the consumer electronics world and it was looking for a new product with added value to give it a leading edge.

The laser disc provided just that. A digital video disc that combines the high quality sound offered by digital recording with the improved picture quality and the random access capability of laser technology, the laser disc was a new medium which seemed to offer a wide range of applications.

Although originally invented by Philips, the Dutch company failed to market the laser disc, which it called the CD-V, as a successful consumer product.

The problem, as with many entirely new technologies, was finding a use for the laser disc that would justify the high cost for consumers of investing in the hardware.

Pioneer's initial attempts to repackage existing software, such as popular films and music, and producing practical guides to golf courses and educational material, met with little success.

Rather than give up, as many others did, Pioneer forged ahead. It was years after it started developing the laser disc that it stumbled, almost by accident on the application that would win wide consumer acceptance. As a result of its success with laser disc karaoke, Pioneer has achieved an important objective – to build the group into an audio-visual company.

Its involvement with the laser disc has supported other new products such as the projection cube which combines several 40-inch projection monitors for large public display video screens. Pioneer, however, now needs to win wider acceptance for its laser discs in western markets, which will mean developing software appropriate to a western audience.

It plans to do this through straightforward marketing, rather than by following other Japanese electronics manufacturers into acquisitions.

Another challenge is to find an alternative application for the laser disc that will attract widespread consumer demand before the karaoke boom dies out. If it waits too long, the appeal of laser karaoke could be overtaken by interactive media being developed by competitors.

Michiyo Nakamoto

Weekend FT

You obviously know "how to make it" – you're reading the weekday FT.

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TECHNOLOGY

Cesar in charge of the crew

Every time an Air France flight is delayed or cancelled an amazing backroom operation swings into action.

Using pen, paper, scissors, pins and glue a team of people works to redesign the airline's six-month flight crew rota – trying to make optimum use of cockpit and cabin staff while obeying the safety and other regulations and agreements.

In an effort to improve efficiency and save money by using crews more effectively, Air France asked Cap Gemini Sogeti, the European computer consultancy group, to help build a system to handle the staff rota. The project was nicknamed Cesar.

Using its Kads (knowledge acquisition and design support) software development tool, CGS's research and development unit, Cap Gemini Innovation, set out to build an expert system which would model the decision-making process.

Three years later Cesar is almost ready to go into operation and will be handed over at the end of May. To meet the operational demands of the airline it has to guarantee short response times and 24-hour availability.

When it is fully operational Cesar will do the work of 30 people and produce "an optimised" updated rota within 10 minutes instead of the three hours it took to do manually.

The system will run on a local area network comprising 2- Vax workstations and servers connected to an IBM 3090 mainframe. It will have cost Air France FFr40m (£4m) with about half of that being spent on hardware.

Dominique Sylvestre, CGS project manager for Cesar, said Air France was expecting to recoup the cost within three year through savings made by using flight crews more efficiently. Air France is hoping to sell the system to other airlines or transport organisations such as railways.

Cesar is one of a number of customer applications to emerge from CGS Innovation's FFr600m-a-year R&D programme, which includes more than 30 EC research projects.

Paul Taylor

R&D

Andrew Hill describes how the funding for EC research projects is distributed and how to get it

Squeaky wheel gets the grease

THE next race for European Community research funding has begun. On Tuesday, the EC's 17 commissioners agreed an overall Community budget for the next five years which will be worth Ecu 86bn (£61bn) annually by the time it comes up for renewal in 1997. A chunk of this cash – some Ecu6.9bn – will be available for "internal policies", including research and development.

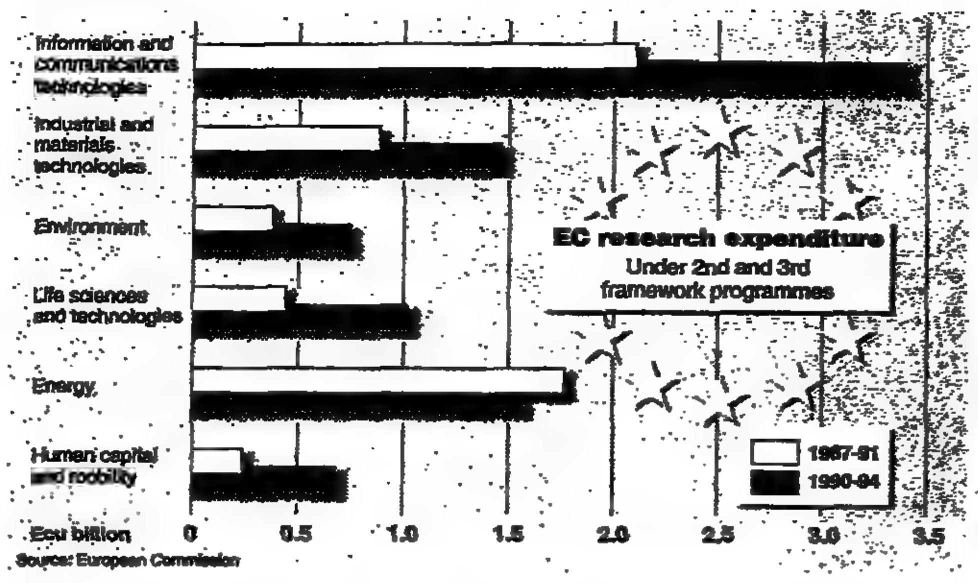
Exactly how it will be spent has yet to be decided – the Community is only just getting round to handing out the Ecu 5.7bn earmarked for the 1990-94 programmes. But according to Martin Collins, a former EC project manager and author of a new book* on applying for EC research funds, companies should act now if they want to influence the European Commission's research policy.

"Now is the perfect time," says Collins, who works in Brussels for Doornheim Devries, a technology consultancy. "The officials are just sitting down to think about it and they'll be calling together all sorts of technical groups to discuss the programmes in the next few months."

EC research and technology funding is available principally through the "framework programmes", aimed in theory at cross-border consortia carrying out pre-competitive research – projects with long lead times. The money, which is channeled through five different departments of the European Commission**, normally covers up to 50 per cent of project costs. The framework programme which officials are now working on is the fourth, which will be divided into perhaps six strategic areas; they in turn will be split into specific programmes aimed at, for example, information technology (the programme known as Esprit) or advanced materials (Brite/Euram).

The fourth framework programme is likely to overlap with its predecessor, which finishes in 1994. It could prove to be the most controversial programme of Community-funded research yet. This is because research funding provides excellent terrain for the battle between advocates of an interventionist EC industrial policy and the free-marketeers.

There is already a forum for the funding of market-oriented projects – the Eureka pan-European research programme†.



Source: European Commission

Its aims are broadly the same as the EC framework programme – to encourage the competitiveness of European industry through cross-border co-operation – but Eureka's 20-nation membership goes beyond the 12 EC states. It acts as a central agency, bringing together partners who then apply for funding to national governments or to the EC.

The most fundamental difference, however, and the one that makes Community funds a more attractive prospect for many companies is that whereas Eureka projects are spontaneous and conform to no set strategic plan, the scale and direction of EC research funding can be assessed in advance.

There is a standard procedure candidates for EC research programmes must go through. It usually lasts – from planning to a final decision – up to 18 months:

- Experts decide a "work-plan" for a particular programme.
- The Commission might ask for expressions of interest in the programme through an announcement in its daily Official Journal.
- A formal "call for proposals" appears in the Journal giving details of the programme. Further information may be distributed at special proposers' days held in member states.
- After the deadline, evaluation panels assess the technical merit of a proposal, the reputation of those involved and the ability of the consortium to achieve its aims.
- A management committee examines the balance of the consortium and the way in which the funds are likely to be distributed between member states.
- The Commission negotiates with the consortium about its composition and its budget and eventually passes the dossier on to the director-general of the relevant Commission department for final approval.

It is important not to leave an application until the last moment. A company which makes no move until the call for proposals appears may find itself facing a deadline for applications as short as six weeks.

On the other hand, according to Collins's guide, a little foresight can give a company a valuable inside track. Such a company might be able to influence the direction of EC policy at the planning stage. It would certainly get to know the kind of proposal which Commission officials were looking for and the people to lobby during the technical evaluation of the project and budget negotiations.

No company should underestimate the need to get inside the Commission structure, either directly – by seeking representation on any of the planning or assessment panels – or indirectly, by buttering up national representatives and Commission officials, says Collins.

Successful lobbying, however, will be useless if it is not matched by a judicious choice of consortium partners and an effectively drafted application.

Choosing consortium members is still a mixture of cunning and common sense. For example, it will obviously be an advantage to have partners with prior experience of and perhaps influence in the applications process, and to ensure that the consortium will not break apart because of simple problems such as inability to communicate. In a more cynical vein, Collins also advises candidates to pick at least one partner from Portugal, Spain or Greece – to salve Brussels' conscience about the neglect of poorer EC members – and to steer clear of Japanese partners, who might arouse the underlying prejudice of some Commission officials.

For the application itself, the advice is straightforward: allow plenty of time, perhaps three months, isolate the programme's objectives and selection criteria and make sure you answer all of them.

The logistics of applying for EC research funds seem daunting. Once the application has been lodged, candidates have to attend numerous meetings and negotiations before a decision is made. And even assuming a consortium is successful, about a third of its budget might have to be set aside to cover the cost of attending regular meetings with partners and the Commission, and the preparation and submission of progress reports to Brussels.

Given that sort of administrative commitment, it is unsurprising that many companies have little energy left for the EC's vision of building a "European Technology Community" and prefer to take the money and run. Even if the goal is purely financial, is it really worth joining the race for funding?

Collins has mixed feelings. On the one hand he knows a number of small start-up companies which have established themselves by tapping into the Commission network and drawing down research funding. But he adds: "If you already have a viable business, don't get side-tracked by EC grants, because they can be so time-consuming and obviously the obligations you take on can be so great they might distract you from the core business."

** A Complete Guide to the EC's Research Funds by Martin Collins, 35, Kogan Page, 120 Pentonville Road, London, N1 9JN.*

*** European Commission, Rue de la Loi 200, B-1049 Brussels, Belgium. The relevant departments are Directorate-General VI (agriculture), DGVII (transport), DGXIV (fisheries), DGXII (science, research and development) and DGXIII (telecommunications, information and innovation industries)*

† Eureka Secretariat, Avenue des Arts 19H, Bte 2, B-1040 Brussels, Belgium.

Beer casks obey the new barcode

By Philip Rawstorne

Losses of empty beer casks and kegs costs the UK brewing industry an estimated £10m a year.

The brewers have managed to cut the losses from more than double that amount over the past five years by alerting police, pub staff and metal dealers to the organised theft and smelting of the aluminium and stainless steel containers for their scrap metal value.

But about 200,000 kegs, with an average replacement value of £50 each, are still lost every every year. Many are "borrowed" for use as mooring buoys and supports for fences at local gymkhanas. Mountain bikers use them as obstacles. Building tradesmen erect working platforms on them.

Others are merely stacked in forgotten corners by customers who cannot be bothered to return them to the brewery.

As the distribution networks of the brewers have extended well beyond their own pub estates in the UK and into export markets keeping track of the whereabouts of individual containers has become more difficult.

About 200,000 kegs, with an average replacement value of £50 each, are still lost every every year

But Charles Wells, the family-owned Bedford brewery, and management consultants P-E International, of Egham, Surrey, have devised a computerised system of monitoring the movement of the kegs using barcode technology.

Charles Wells labels each of its casks and kegs with a barcode which identifies the brewery, the size of the container, and the date and place of its manufacture.

This basic information is fed into the computer database along with the manufacturer's serial number stamped on each keg.

A computer terminal at the production line is used to key in details of each day's brew – brand of beer, brew number and date. Then automatic scanners read the barcodes of the kegs as they are filled.

When the containers are moved to the loading bay, the make-up of each load is fed into the computer by radio-linked portable data capture units. Any other brewer's products included in the load are also identified.

Draymen with portable scanners again identify each container after it is loaded and add in personal identity codes and information about the time and place of loading and the vehicle in use.

All deliveries and collections at each outlet they visit are similarly recorded. The portable unit is plugged into a printer in the cab of the vehicle to produce delivery notes for signature by the landlord or manager.

When the drays return to the brewery, the data from their portable units are down-loaded to the central computer. The brewery thus has a daily record of every container delivered to, and returned by, each customer.

Undue delays in returning empty casks can be spotted and action taken to recover them.

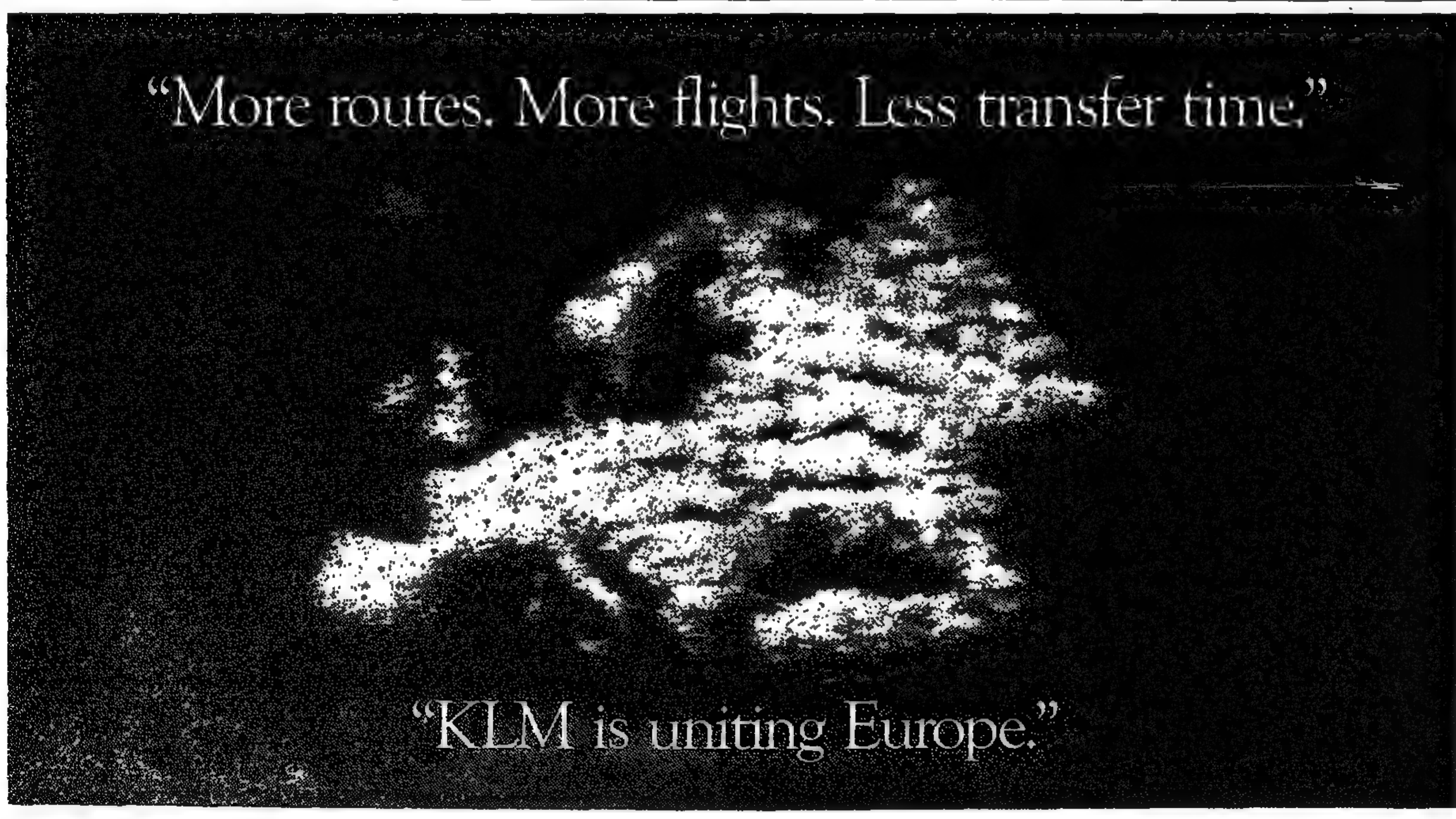
The system has cost about £250,000 to develop. But Jonathan Harrison, Charles Wells's finance director, says: "We have about 66,000 containers, and we reckoned that if our losses were in line with the industry average, they were costing us more than £150,000 a year."

After a year's operation, he says, losses are less than 2 per cent compared with an estimated 5 per cent for the industry as a whole.

Apart from combating theft, the system has brought other benefits. Containers are being used more efficiently by speeding the return of empties to the brewery and reducing stockholding.

Other cost savings are likely to flow from the analysis of data that the system provides on keg repairs, usage patterns in different trade sectors and the return of spoiled beer.

Brand marketing and sales are expected to benefit from the flow of information; and the system provides extra insurance in any contamination emergency by enabling the brewer to trace and recall the affected product quickly.



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BISHOPSGATE PROPERTY LIMITED (IN ADMINISTRATION)

NOTICE OF MEETING IN ADMINISTRATION PROCEEDINGS
Notice is hereby given that a meeting of creditors is to be held at the Somerset Suite, the Waldorf Hotel, London WC2 at 11:30 am on 27 February 1992, to consider our proposals under section 23 (1) of the Insolvency Act 1986 and to consider establishing a Committee of Creditors. A copy of our proposals may be obtained from PO Box 55, 1 Surrey Street, London WC2R 2NT.
John A Talbot
Anthony W Brierley
Martin [illegible]
Murdoch L McKillop
JOINT ADMINISTRATORS
Dated this 10 day of February 1992

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In accordance with the terms and conditions of the Notes, the interest rate for the period 2nd March, 1992 to 2nd March, 1993 has been fixed at $7\frac{13}{16}$% per annum. The interest payable on 2nd March, 1993 against Coupon 4 will be Aus.$78.13 per Aus.$1,000 nominal and Aus.$781.25 per Aus.$10,000 nominal.
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Pursuant to Clauses 3 and 4 of the Instrument dated 20th December, 1990 (the "Instrument") relating to the above issue, notice is hereby given as follows:

Dowa Mining Co., Ltd. has made an issuance of U.S. $120,000,000 3⅝ per cent. Guaranteed Notes due 1996 with Warrants on 13th February, 1992 (London Time) at the initial Subscription Price of Yen 499.0 per share, which is less than the current market price per share of Yen 559.9 calculated as provided in the Instrument.

As a result of such issuance and pursuant to Clause 3 of the Instrument, the Subscription Price of the Warrants has been adjusted from Yen 682.0 to Yen 673.8, effective as from 13th February, 1992 (Japan Time).

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ARTS

CINEMA

Black comedy spirals out of control

BARTON FINK
Joel and Ethan Coen

THE FAVOUR, THE WATCH AND THE VERY BIG FISH
Ben Lewin

STAR TREK VI
Nicholas Meyer

SNOW WHITE AND THE SEVEN DWARFS
Walt Disney

Writers have never recovered from being evicted by time and social progress from the garrets they see as their natural habitats. *Many still* seek castigatory environments even when, in the age of arts subsidies and social welfare, comfort is within their reach.

Take the hero of Joel and Ethan Coen's *Barton Fink*, a black comedy about madness that won the top prize, and several others, last year at Cannes. Playwright Fink (John Turturro) has come to Hollywood after his latest Broadway success – *Bare Ruined Choirs*, "a simple tale of fishmongers" – *and is now* holed up at the faded, majestic Hotel Earle. The time is the 1940s when the cinema became a great provider, a welfare state by another name, to every serious writer willing to slum it for a few months in Tinseltown.

When not discussing his screenwriting future with the fat studio head (Michael Lerner combining L.B. Mayer with Jack Warner) and the thin, alcoholic novelist teaching him the ropes (John Mahoney doing a William Faulkner), Fink is marooned in his mouldering hotel room with writer's block. The typewriter, though seldom struck, beats a deafening tattoo when it is. Fink's neighbour (John Goodman) is genial on the surface, psychotic just beneath. Mosquitoes whine like insect Eumenides. And the wallpaper is coming away from the wall stickily, audibly, nastily, like flesh from an early religious martyr.

Ah yes, but *is* the place falling apart? *Is* the neighbour mad? Is the wallpaper in need of attention? Or is Fink himself, fright-haired and pop-eyed in his steel-rim spectacles, a few cards short of a full deck? Initially inspired by Clifford Odets, this lost-in-Hollywood left-winger is turned by the Coens into a joke-archetypal writer who expressionistically appropriates every new world he moves into. Though not told explicitly through Fink's eyes, the scenes inside and outside the hotel both aspire to a mildly deranged surrealism. The Coenesque world of *Raising Arizona* and *Miller's Crossing*, where daft events are delivered with a piercing sobriety, is here given a subjective pretext by the dotty sensibility of the main character.

But rather than legitimising the Coen style, this ends up devaluing it. *Barton Fink* swept the board at Cannes, one suspects, because Roman Polanski was jury president. Here was a film after Mr P's own heart: a *Repulsion* or *Cul De Sac* for the 1990s, turning clinical claustrophobia into high black comedy. But Polanski's films had an intensity and a savage cutting edge. *Barton Fink* plays increasingly like a series of hit-and-miss sketches dreamt up by two film-makers doodling between assignments.

Michael Lerner's studio chief is a hit: a human super-blob who alternates between apoplexy and ingratiation. (Foot-kissing of screenwriters is a speciality.) But Lerner's scenes could belong to from a different film from the neo-Gothic ones involving Goodman – inspired as if by Kubrick's *The Shining* – or the subplot romance with Judy Davis, who plays novelist's moll to the Faulkner character and ends up as a corpse between Fink's sheets.

As with many films that spiral out of control, accumulation replaces momentum. When murder, arson and dementia take over in the last reel, we feel the same sense of jaded bemusement as when a horror film, running out of anything further to up, sets fire to the ogre's mansion, hurls the escaping hero(ine) into the open air, lashes the orchestra's string section into overdrive and cranes up to view the aesthetic shambles with the clemency of distance.

John Turturro in 'Barton Fink'

There is no mercy even in distance for *The Favour, The Watch And The Very Big Fish*. Adapted by Anglo-Australian writer-director Ben Lewin from a story by France's Marcel Aymé, this is a Euro-pudding that should never have left the mixing bowl.

Where, to begin with, are we? Paris is *the nominal setting and France is the* country of origin for most of the supporting cast. Yet the stars are Anglo-American (Bob Hoskins, Jeff Goldblum, Natasha Richardson) and the dialogue is out of Ionesco by a French-English phrasebook. As for the plot – something about a photographer (Hoskins) employed by a religious artefacts shop who falls in love with a pretty actress (Richardson) and finds his perfect Christ model in her one-time ex-convict lover (Goldblum) – it aims at a deadpan farcical tone, a sort of Gallic *Fish Called Wanda*, and misses by a continent.

Bemused by the choppy editing and Franglais dialogue, I never once believed in the romantic electricity supposedly taking place between Richardson and Mr Hoskins, here sporting a posh accent, a moustache and a very big fish. This last, featured in only one scene, is put through a mincer by Hoskins's *cordon bleu* sister. Do not ask me why.

Elsewhere I recall two funny moments – a dog attacking a stuffed lion and a porno film voice-dubbing session – and many more moments of stupefaction shading into somnolence.

*

I was on red alert throughout *Star Trek VI*. Warp-speeding through the galaxies with Kirk, Bones, Scotty, Spocky and the rest of them, we thrill to another plot in which the evil Klingons menace decent humanity.

This time their bankrupt empire is suing for peace and their chancellor Gorkon (David Warner as a galactic Gorbachev) is assassinated en route to the United Federation of Planets. Was his ship blown up by the Enterprise? Klingon nasty Christopher Plummer thinks so and so he ships Kirk and Bones off to Klingon Siberia. From this wintry hell on a far-flung planet we are told that "No one ever escaped": which means our heroes take ten minutes rather than five to do so. Meanwhile, back on the Enterprise, only a missing pair of gravity boots can help Spock find the true culprits and prove his masters' innocence . . .

Never mind gravity boots. As the spaced-out saga clocks up its 25th year, I am concerned about all those gravity toupees. William Shatner's Kirk wears an grey and curly number, while Bones favours a youthful sideways-with-parting and Spock sports that unchanging jet-black fringe set off by twitching bat ears. We have never seen so many attempts to conceal advancing empty-headedness with advanced cranial foliage.

Star Trek VI itself is a piece of shameless let-your-hair-down camp. Rife with idiot charm, it rejoices in lines like "You've not experienced Shakespeare until you've read him in the original Klingon" (Plummer to Kirk) and "There's an old Vulcan proverb: 'Only Nixon could go to China'" (Spock to anyone still listening). Director Nicholas Meyer, on his third trekkie outing, seems as happily confused as the rest of us over ranks and titles. (I thought Kirk was an Admiral the last time round? And when was Spock promoted to Captain?) But undeterred he hurls jokes, explosions and special effects at us as if there were no tomorrow.

For this cast we are sadly told there may not be. In the closing credits the stars literally sign off – pink autographs enscrolled on a galactic background – and *another generation, says the over-voice,* will soon boldly go "where no man – no *one* – has gone before." Ah, Political Correctness. Not even the battle-scarred Enterprise can resist the onslaught of that.

Finally, *Snow White And The Seven Dwarfs* is back. Heaven knows what the P.C. brigade have to say about this. Here we have an overprivileged Wasp debutante establishing sway over a group of socially deprived mineworkers of reduced stature. Still, the songs are good. And the animation, after 50 years, is matchless.

Nigel Andrews

Laurie Booth

QUEEN ELIZABETH HALL

Laurie Booth's newest piece, Requiair, is subtitled "A Flight Dance", and Nigel Coates' design is of a pair of white aeroplane wings hanging above the dance area. Hans Peter Kuhn's sound installation is an often ravishing sequence of noises interspersed with bird-song, faint curlew pipings, and what may well be the first electronic celestial choir. We seem to be poised between earth and heavens, as if on top of a windy hill-top – the Elizabeth Hall's hideous and steeply raked auditorium encourages this feeling – looking at dance that meditates upon ideas of flight and the aspirations behind those ideas.

It is thus I interpret Booth's work for himself and four colleagues: Jo Chandler, *Désireé Cherrington*, Gary Lambert and Ellen van Schuylenburch, which received its London premiere on Tuesday and Wednesday. The dancers wear unisex shirts and trousers in anonymous clayey shades and, like the clothes, Booth's dances – which had an erotically challenging tension in recent duets with Russell Maliphant – here look neutral, almost neutered.

The text, as displayed by Booth himself, is fascinating, because his own movement style – sinuous, coloured by stunningly effective accelerandos that melt into quiescent poses – is so *richly* varied. The dancer and the dance become one. His companions, able dancers all, can nowhere match (as Russell Maliphant can match, and indeed challenge) the many nuances of Booth's bravura language. *It* owes something to martial arts, to T'ai Chi, to contact improvisation, Indian dance and *capoeira* – whence come the flicker-quick gesture and the long, logical flow of action. It owes as much to Booth's own prodigious concentration, which draws us into his imaginative world. In *Requiair*, the ideas are *oblique*, allusive: the manner of post-modern dance is never going to provide the obvious imagery of aerial ecstasy that ballet can furnish. Instead, Booth *appears* like a Daedalus, dreaming of escape by flight. In one of the most touching and beautiful sections of the piece – which is uneven, but often rewarding – Booth lies on the ground as Kuhn's shimmering sound-world hangs above him, and seems to meditate upon movement that he then starts to explore. *In contrast*, he *also creates a trio for* the two men and himself which is a dazzlingly accented scherzo of contact games, of falls, holds, and wild clamberings.

The dance runs for about 70 minutes. I think it too long, and because of the dissipation of movement ideas among the cast, too diffuse: few of its massed effects touch the potency of Booth's own presence. But it is also a work from a secure and eminently gifted creator, whose vision of dancing is strong, highly personal, and always convincing. The performance initiated the annual "Spring Loaded" festival of new dance which now moves to The Place: there will be further reports in due course.

Clement Crisp

David Hockney's set for Act 3, final scene, of 'Turandot' at the Lyric Opera of Chicago

David Hockney designs 'Turandot'

David Hockney's designs for *Turandot* are executed in glowing red, green, and blue, with softer colours for some of the principals and a chorus in black until it changes into rich blue for the brief finale. They provide a Hockney show – in three dimensions and moving through time – of the utmost brilliance and beauty. The designs were commissioned jointly by the Lyric Opera of Chicago and the San Francisco Opera. While in New York the Met revived its extravagant *Turandot* supershow, designed and produced by Franco Zeffirelli, with Gwyneth Jones in the title role, Chicago played the "Hockney *Turandot*" ten times, last month and this. It goes to San Francisco next year.

Hockney said that he thought most productions of *Turandot* "unbelievably over-designed." He wanted "to take out the dragons, to simplify it, to get rid of the grotesque chinoiserie . . . no fussiness." His Peking is built of a few careful, striking shapes – red walls and green corrugated roofs against a cobalt-blue sky. Perspective is not realistic, space not literal. Light plays a major role, and Duane Schuler, Chicago's resident lighting man, is one of America's best. The reds, greens, and blues gleam and glow with carefully controlled intensities, the moonrise of the first scene is magical, and the final musical crescendo is matched by a breathtaking sunrise crescendo of light.

The approach is enchanted fairytale. Puccini characterised both the princess and the prince as "superhuman"; the psychology of the characters is not subtle; and the pictorial style of the decor suits *Turandot* better than it did *Tristan*. At the same time, the sets are designed to present the actors with effective acting spaces (as the *Met Turandot* does not). The important staircase of the riddle scene is not omitted.

The show has been criticised for being "designer's opera", and so of course it is, but the fault is not Hockney's. He has not yet found – not here any more than in the Los Angeles *Tristan* he designed – a cast and a producer who respond to and make the most of his visions. (May he do so in the Covent Garden *Frau ohne Schatten*, his next operatic assignment.) This *Turandot* was not mutually inspired teamwork *such as one finds in* the Peter Sellars presentations. In all but the visual aspect it was pretty well hack-work.

Chicago is a very big house, and *Ardis* Krainik had engaged a big-voice international Turandot and Calaf, Eva Marton and Lando Bartolini. They gave their standard performances. Marton sang and moved through the role without expression, usually loudly, sometimes rather coarsely. Bartolini has a ringing tenor, which he used without subtlety, charm, or grace. Lucia Mazzaria was the Liù; she, on the other hand, sought to give some light and shade to the music, but her voice sounded worn and uncertain. Dimitri Kavrakos's Timur was sonorous and wooden. The trio of masks had more merit: an able young Ping, James Michael McGuire; a veteran Pang, Piero de Palma; and a nimble *Pong, Douglas Perry*.

Bruno Bartoletti conducted, and William Farlow produced. As a musical or dramatic enactment of Puccini's score, the result was without interest. As a Hockney show, it was unforgettable.

Andrew Porter

Making it Better

HAMPSTEAD THEATRE

This new play, by James Saunders, operates on many levels and does not quite succeed on any one of them. Even so, I commend it. I found it *witty, intelligent and* interesting until, somewhere in the middle of the second half, a certain creakiness set in. In the space of two hours it covers a woman's three contrasting love affairs; the ways in which Czechs and English have used one another before and after 1989; issues of betrayal and independence, manipulation and honesty, in both love and politics; and the uses of drama.

Making it Better – which has already been playing in Vienna and which is also opening now at the Théâtre la Bruyère *in Paris – does* all this deftly, urbanely and with a fair degree of humanity. For London theatre-goers it has the added interest of presenting Jane Asher in its leading role.

The plot. An Englishwoman finds herself alone, after her husband of 20 years has come out of the closet. (She met him in Prague in 1968 and, on their return, married him "on the rebound. I suppose I was in love with Prague.") On a whim she picks up a middle-aged Czech and starts a casual affair with him. Her husband meanwhile starts to carry on with another Czech, much younger and prettier. Later, to the considerable chagrin of her husband and the older Czech, she and the young man begin a serious affair. All this occurs *in the last half of 1989*; a brief prologue and epilogue are set in the present.

Diana and Adrian, the English wife husband, both work in Bush House for the drama department of the World Service. Again, Saunders can find humour in this. The point, however, is to bring drama itself up as a subject. With Josef, who is plainly a highly cultured (and rather endearingly pompous) man, this works. But, though I was convinced of young Tomas's intelligence, I couldn't quite believe that he brought Diana to the point of discussing "drama as a cultural weapon" immediately prior to orgasm – though she assures us and him that he did. This in in Act Two, which tends to cover too much ground too rapidly, leaving an impression of glibness.

Jane Asher has often played bitchy ex-wives with great success in recent years; the role of Diana gives her a welcome variant on this. She's softer here, though still witty, and only occasionally adopts a hard edge. She sometimes overdoes little things (fidgeting during a tense scene with her husband, unnaturally quick responses to other people's lines) and underdoes big ones (her last, drunk, scene with Tomas). David De Keyser is absurdly perfect as Josef, while Larry Lamb is, well, almost perfect, as the almost absurd Adrian.

Alastair Muir

Jane Asher and Rufus Sewell

Rufus Sewell is marvellous as Tomas; voice, accent, cheekbones, eyes are all used with a youthful Czech intensity that heightens the whole play. The device of using half-banal World Service snippets during scene-changes ("More from the late great Buddy Holly later") pays dividends.

Michael Rudman's direction makes everything work smoothly. Maybe too much so? At any rate, the production could not quite fend off the idea that gathered in my head as the play neared its close; that really these characters were all literary devices. Diana & Co. amount to less than the themes they raise. Which is another way of saying this play has too little inner life. It also has some lumpy metaphors. The one about the British as ducks is used so many different ways – water off a duck's back; plastic duck; us dying ducks; the endearing way of the duck to surface from its mucky dives – that it loses any serious use except to draw attention to itself.

Alastair Macaulay

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

ATHENS

Concert Hall 20.30 Peter Nagy joins the Academica Quartet in Schumann's Piano Quintet Op 44 and Trio Op 53. This is part of a series devoted to 19th century chamber music. Next concerts on Sat and Sun (722 5511)

BERLIN

Staatsoper unter den Linden 19.00 Peter Hirsch conducts Cosi fan tutte. Tomorrow: Der Freischütz. Sat: I vespri siciliani. Sun: Die lustigen Weiber von Windsor (East Berlin 2004 762)

Komische Oper 20.00 Jochen Kowalski sings Orpheus in Harry Kupfer's production of Gluck's opera. Tomorrow: ballets by four east German choreographers. Sat: La bohème. Sun: Die Zauberflöte (East Berlin 2292 555)

Deutsche Oper 19.30 L'elisir d'amore. Tomorrow: Peter Schaufuss' production of La Sylphide. Sat: first night of Gotz Friedrich's new production of Tannhäuser, conducted by Jiri Kout with a cast including Rene Kollo, Sabine Hass and Karan Armstrong. Sun: Béjart's Ring Round the Ring (West Berlin 3410 249)

Schauspielhaus 20.00 Kurt Sanderling conducts the Berlin Philharmonic Orchestra in music by Mozart and Schubert, with Mitsuko Uchida piano soloist. Sat, Sun and Mon: Neeme Järvi conducts music by Stenhammar, Grieg and Nielsen (East Berlin 2090 2156)

Philharmonie Kammermusiksaal 20.00 Hansjörg Schellenberger is director and oboe soloist in an all-Haydn programme with the Berlin Haydn Ensemble (West Berlin 6342 279). Sat and Sun in SFB Grosser Sendesaal: Vladimir Ashkenazy conducts the Berlin Radio Symphony Orchestra in Elgar's Falstaff and Strauss' Don Quixote (3027 242)

BRUSSELS

Palais des Beaux Arts 20.00 Ronald Zollman conducts the Belgian National Orchestra in an all-Dvořák programme, with Mischa Maisky soloist in the Cello Concerto. Sat: Maisky is joined by Philippe Hirschhorn and Vladimir Feltsman in a performance of Beethoven's Triple Concerto (507 8200)

Monnaie 20.00 Carlos Kalmar conducts Nicolas Brieger's production of Il barbiere di Siviglia, with Alison Browner, Raul Gimenez and Laszlo Polgar, also Sat. Sun in Palais des Beaux Arts: Georges Octors conducts the Monnaie Orchestra in music by Weill, Berio and Stravinsky (219 6341)

COLOGNE

Philharmonie 20.00 Katia and Marielle Labeque play music for two pianos by Albeniz, Ravel and Infante. Sun morning and Mon evening: Vladimir Spivakov is director and violin soloist in a Mozart and Haydn programme with the Gurzenich Orchestra. Sun evening: Rolf Reuter conducts the Orchestra of the Komische Oper Berlin (2801)

Opernhaus 19.30 Rossini double bill, with Carlos Feller, Alberto Rinaldi and Teresa Ringholz, also Sat (221 8400)

FRANKFURT

Schauspielhaus 19.30 First night of a new production of Ferdinand Raimund's 1826 play Das Mädchen aus der Feenwelt oder Der Bauer als Millionär, directed by Peter Eschberg. Repeated tomorrow and Sat. These performances mark the return of Frankfurt's city drama company to the Schauspielhaus after a four year break (2123 7444)

Opernhaus 19.30 Revival of Arie Zinger's production of The Rise and Fall of the City of Mahagonny, with Glenys Linos, Michal Shamir and William Pell, also Sat. Tomorrow: Die Zauberflöte. Sun: La traviata with Margaret Marshall as Violetta (236061)

Alte Oper 20.00 Broadway production of Andrew Lloyd Webber's musical Evita, with Florence Lacey. Sat: Daniel Nazareth conducts the Slovak Philharmonic Orchestra in Dvořák's New World Symphony. Sun morning and Mon evening: Heinrich Schiff is director and cello soloist with the Frankfurt Opera Orchestra. Sun evening: Rossini 200th anniversary concert (1340 400)

GENEVA

Grand Théâtre 20.00 John Nelson conducts Francesca Zambello's production of Benvenuto Cellini, with Chris Merritt in the title role. Runs till Feb 25, with next performance on Sun (212311)

Comedié 19.00 Botho Strauss' play Le Temps et La Chambre, directed by Patrice Chéreau. Daily except Sun and Mon till Feb 27 (205001)

THE HAGUE

Dr Anton Philipszaal 20.15 Alexandru Lascae conducts the Arion Ensemble in a programme of baroque music, with Herman Krebbers violin soloist. Sat: Eri Klas conducts the Residentie Orchestra in a programme including Elliott Carter's Anniversary and Schnittke's First Violin Concerto with Mark Lubotsky. Sun: The Timeless Orchestra plays Glenn Miller, Duke Ellington and Count Basie (360 9810)

LONDON

THEATRE

● Death and the Maiden: Ariel Dorfman's South American tale about the consequences of torture, in a production which had a sell-out season at the Royal Court late last year, starring Juliet Stevenson. Currently previewing, opens on Feb 18 (Duke of York's 071-836 5122).

● 'Allo 'Allo: the stars of the successful television comedy series about a resistance innkeeper in occupied France return to London with their stage show. Gorden Kaye leads the cast. Runs till March 7 (Dominion 071-580 9562).

● All My Sons: Arthur Miller's early masterpiece draws a picture of two families facing bereavement, divided loyalties and guilt for the past. David Thacker directs a cast led by Ian Bannen. Runs till Feb 29 (Young Vic 071-928 6363).

● A Woman Of No Importance: the Royal Shakespeare Company production of Oscar Wilde's play is a lavish costume drama directed by Philip Prowse. Runs till Feb 22 (Richmond Theatre, by BR or tube to Richmond, 081-940 0088).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC AND DANCE

Covent Garden 19.30 Royal Ballet triple bill: Ashton's Scènes de ballet and Monotones, plus William Forsythe's In the middle, somewhat elevated with Sylvie Guillem and Laurent Hilaire (071-240 1066)

Coliseum 19.30 James Holmes conducts a revival of David Pountney's ENO production of Kurt Weill's Street Scene, restaged by Nicolette Molnar with a cast including Janice Cairns and Lesley Garrett (eight further performances till March 19). Tomorrow: Xerxes. Sat: Königskinder (071-836 3161)

Barbican 19.45 Michael Tilson Thomas conducts the LSO in Ives' Robert Browning Overture, Shostakovich's Second Piano Concerto (soloist Emanuel Ax) and Tchaikovsky's Sixth Symphony (071-638 8891)

Royal Festival Hall 19.30 Yuri Temirkanov conducts the RPO in Beethoven's Fourth Piano Concerto (soloist John Lill) and Mozart's Requiem. Tomorrow: Yuri Simonov conducts the LPO. Sat: Claus Peter Flor conducts a new orchestral work by Nigel Osborne. Sun: Simon Rattle conducts Janacek, Lutoslawski, Berg and Sibelius (071-928 8800)

Queen Elizabeth Hall 19.45 London Chamber Orchestra in music by Holst, Elgar, Vaughan Williams and Britten. Sat: Markus Stockhausen plays Karlheinz Stockhausen. Sun afternoon: New Budapest String Quartet with Piers Lane. Sun evening: Haydn's The Seasons (071-928 8800)

MUNICH

Gasteig 20.00 Colin Davis conducts the Bavarian Radio Symphony Orchestra and Chorus in Brahms' German Requiem, with Arleen Auger. Repeated tomorrow (558080)

Staatsoper 19.00 Il barbiere di Siviglia with Julie Kaufmann and Gino Quilico. Tomorrow: Sinopoli conducts Il trovatore. Sat and Mon: Don Pasquale. Sun: Das Rheingold. Tues: Die Walküre (221316)

NEW YORK

Avery Fisher Hall 20.00 Andrew Davis conducts the New York Philharmonic Orchestra in Schubert's Third Symphony and Sibelius' Fifth, with Kyoko Takezawa soloist in Stravinsky's Violin Concerto. Also tomorrow, Sat and next Tues (875 5030)

Metropolitan Opera 20.00 Thomas Fulton conducts Un ballo in maschera, with Leona Mitchell, Florence Quivar and Sherrill Milnes. Tomorrow: Turandot. Sat afternoon: Tannhäuser. Sat evening: Il barbiere di Siviglia (362 6000)

New York State Theater 20.00 City Ballet in Jerome Robbins' Glass Pieces and two Balanchine choreographies. Season runs daily except Mon till Feb 23 (870 5570)

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1230-1300 Business Morning
1330-1400 Business Day
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0100-0130 Moneyline

Super Channel
0600-0630 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
2130-2200 (Thurs) Talking Heads – international issues

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

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0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

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1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

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Thursday February 13 1992

The bill for Maastricht

FIVE-YEAR plans, despite communism's demise, have their uses. In 1988 the European Community agreed its very first five-year deal on overall EC funding and spending, which allowed the Community to get on with its revolutionary plan for a single market. Yesterday, the European Commission came up with its second five-year plan. It has much to commend it. But it cannot be accepted as it stands, even though the need for the Community to settle its financial future over the next few years is self-evident.

Brussels is calling for total spending to rise, in real terms, by a third, to Ecu88bn by 1997. Money to the EC's four poorest states would be doubled over the next five years, as it has been over the last five. The Commission wants a further real increase of 100 per cent in resources to meet the EC's growing external responsibilities. Less costly in terms of new money, but more controversial in terms of policy, is Brussels's plan to gear EC research and training funds more to companies' needs.

Many member states will object to such a steep increase in the EC budget, especially in difficult economic times. But poorer EC countries are demanding more cash from Brussels to help them converge with the richer in the run-up to economic and monetary union. Spain has more or less threatened not to ratify the Maastricht treaty, unless it gets more.

Power ambitions

Apart from farm spending, the greatest strain on the EC budget in recent years has come from outside – the Gulf war, the plight of Kurdish refugees, and changes in eastern Europe and the former Soviet Union. Maastricht confirmed the Community's great power ambitions. But power brings responsibilities. If the Twelve are going henceforth to co-ordinate their foreign policies, it is logical that they should also increasingly pool their foreign aid.

The proposed increases in spending can be justified, therefore, but only if spending as a whole is brought securely under control. Reform of farm policy is a *sine quo non*. In its absence, the budget proposal should be rejected.

Lop-sided nature

At least as important, are changes in the way revenue is raised. Getting member states to agree this package will be made all the harder by the lop-sided nature of contributions. At present, only Germany, the UK, France and (marginally this year) Holland are net contributors. It is a scandal that the two countries with the highest average incomes – Denmark and Luxembourg – should be net beneficiaries of the budget, and that Belgium should get more than Portugal.

The Commission has tinkered with the system of national contributions, to make it less dependent on food and customs duties and on value added tax (VAT), and more dependent on gross national product. But this will only show up gradually over the next five years. In the meantime, Germany, whose average income has been lowered by unification, is by far the biggest net contributor (Ecu9bn), three times the net amount put in by the next largest contributor, the UK, even after the British rebate.

The Commission ruled out a more radical move to a GNP-based system as non-negotiable. But the problem cannot be fudged much longer. Alongside an agreement on a new and larger budget, both farm policy reform and a more equitable system of raising revenue need to be in place.

The stakes in Algeria

TOMORROW MARKS a crunch point for Algeria in two respects.

At home, it is the first Friday since the High Council of State, the country's supreme authority since President Chadli Bendjedid was deposed on January 11, decreed a state of emergency and banned the Islamic Salvation Front (FIS). The biggest disturbances in recent weeks have always followed Friday prayers, and the FIS, before being banned, had called a protest march for tomorrow.

Abroad, eight international banks are meeting in Paris to decide whether to proceed with a $1.5bn loan, intended to refinance Algeria's commercial bank debt. The country owes roughly $5bn to commercial banks (two-thirds of it to the Japanese), but its total foreign debt amounts to $23.9bn, of which well over half is owed to foreign governments.

France, the largest single creditor, believes a rescheduling package would be more realistic than refinancing, given Algeria's already heavy 70-75 per cent debt service ratio. The Japanese banks, by contrast, firmly reject the idea of rescheduling.

On a technical level, the solution could be simple in principle even if complex in detail: an agreement to refinance the commercial debt, while rescheduling the government loans. But the French are quite right to see a connection between the debt and Algeria's political problems.

Restricted growth

By swallowing up such a large proportion of the country's export earnings, the debt has severely restricted growth, causing very high unemployment, especially in the 16-24 year-old age group which constitutes a vast reservoir of demonstrators and rioters for the FIS. In turn, instability deters foreign investment.

Governments are unsure whether to provide more financial support to a state trying desperately to contain Islamic fundamentalism or, on the contrary, to withhold it from a state which has ignored the popular will expressed through the ballot box, and has now suspended many freedoms.

High stakes

The stakes are high, especially for Europe. It is all too easy to imagine Algerian boat people, fleeing across the Mediterranean from civil war or from a militant Islamic regime.

Since no political solution is imaginable without some room for economic manoeuvre, Algeria's creditors should be generous in the short term. But they should also make it clear to Algeria's rulers that they do not see the restoration of order and state authority, however necessary, as a solution in itself. Indeed it may not even be possible without some kind of political dialogue – for which the FIS at present, with its leaders either in prison or on the run, is no more prepared than the government.

Algeria's record in foreign policy is almost as good as its record in domestic policy is bad. It brokered, for example, the solution of the US-Iranian hostage crisis in 1980-81, and its present foreign minister, Mr Lakhdar Brahimi, was the architect of the Taif agreement which has brought civil peace to Lebanon. The time may soon come for the Algerian government to accept some help from others that it has helped in the past – notably Saudi Arabia and Iran – in seeking a way out of its own domestic troubles.

Redenomination

WHEN JAPAN'S foreign minister, Mr Michio Watanabe, says that redenominating the yen would take Japan out of recession, he is talking through his hat. But Mr Watanabe's idea still deserves more than the brush-off it received from the Bank of Japan.

Why should the Japanese, excellently educated though they are, have to employ advanced mental arithmetic to buy a house for several hundred million yen? Meanwhile, in Italy even a newspaper costs L1,200. The individual measures of a useful unit of account should have meaningful purchasing power. Yet an individual lira or yen buys nothing. Things are worse for policy-makers. At an annualised Y455,600,000,000,000 in late 1991, Japan's gross national product looks still more overwhelming than it is. And what of Italian public debt, now at some L1,400,000,000,000,000? The number is too big to comprehend. No wonder Italian politicians are paralysed.

If the lira were divided by a thousand, it would overtop the D-Mark. If the yen were divided by a thousand, it would be worth $8, making it a suitable symbol for Japan's dynamic economy. So, altogether now: two, four, six, eight: it's time to redenominate.

Paul Betts and Charles Leadbeater on the problems facing BAe

Struggles in the sky

THE 2,350 job cuts announced by British Aerospace yesterday have struck at the heart of the diversified company's traditional military and commercial aircraft activities. They are unlikely to be the last.

In the face of the decline in government defence spending and the slump in the civil aviation industry, BAe has been forced to speed up the restructuring of its aircraft operations during the past 18 months. The latest cuts are part of a long restructuring process which has seen more than 10,000 people leave the company over the past two years.

The company has already warned that unless it wins the Ministry of Defence order for new Asraam advanced air combat missiles this year it will be forced to cut more jobs. Even more could follow if the company fails to clinch quickly a new Saudi Arabian order for Tornado and Hawk aircraft.

BAe's commercial aircraft operations – with the possible exception of its 20 per cent stake in the European Airbus programme – could also be at risk if it is unable to finalise the second phase of the Al Yamamah arms contract with Saudi Arabia in the next few months.

"Without the second Al Yamamah contract, commercial aircraft, especially smaller regional aircraft, are likely to become a luxury BAe could ill afford in its present circumstances," a City aerospace observer warned yesterday.

The Middle East produced £2.2bn of BAe's revenues in 1990 largely as a result of the first Al Yamamah contract, compared with about £115m in 1985. But the decline in oil prices and the low US dollar exchange rate against sterling last year has put pressure on the programme's funding. Saudi Arabia funds its payments to BAe from a regular amount of crude oil set aside for the purpose; BAe is understood to be seeking an increase in the amount of oil from 500,000 to 750,000 barrels a day, plus a cash advance.

BAe, like most other aerospace companies, continues to derive the bulk of its profits from military activities. In contrast, its commercial aircraft business, which employs about 21,500 people, or 1,500 more than its military aircraft division, has always struggled to make ends meet. Defence reported operating profits of £273m in the first half of the company's current financial year compared with a £16m loss for commercial aircraft.

After regrouping all its defence businesses under one umbrella at the end of last year as part of its latest recovery efforts, BAe is restructuring its commercial aircraft activities into three separate units: regional aircraft; Airbus; and corporate jets.

● The biggest losses have come from the company's regional aircraft activities, including small propeller commuter aircraft and 70-100-seater jets. These losses are likely to grow in the present cut-throat conditions of the market, which accounts for only 5 per cent of the overall civil market, itself 50 per cent controlled by the US Boeing company. In addition, in the present climate of recession it is difficult to see the civil market taking over some of the slack from the decline in military business caused by the post-cold-war cuts in defence spending.

At the time of its flopped £432m rights issue, BAe stated that despite considerable improvements in efficiency and competitiveness, the regional aircraft business in its present form "does not generate a sufficient return on capital employed".

The most serious problem has been the BAe 146 regional jet conceived by Hawker Siddley in the early 1970s, saved by the Labour government in the late 1970s; and now BAe's last wholly-owned commercial jet airliner. The 146 has faced fierce competition not only from other manufacturers such as Fokker or Canadair but also from big aircraft makers such as Boeing and McDonnell Douglas with their respective smaller derivatives of the Boeing 737 or MD80.

Unlike the rest of the industry, the 146 also failed to build up a backlog of orders during the good years of the 1980s. Its current backlog is 40 aircraft. Production peaked at 36 aircraft a year in 1989, falling to 26 aircraft in 1991, and expected to be about 24 this year.

BAe has been actively looking for partners to form an industrial alliance in the regional aircraft business. But negotiations are expected to be long and difficult. In the meantime, the company has been forced to rationalise its regional aircraft activities to match demand and prospects.

Its Advanced Turboprop (ATP) commuter aircraft programme has been under pressure and has struggled in vain to make a return. The smaller BAe Jetstream turboprop commuter aircraft programme has fared better in the market.

● After being highly critical and apprehensive over the European Airbus programme for many years, BAe now regards its 20 per cent stake as holding the most long-term promise for its commercial aircraft operations. But although Airbus is expected to provide BAe with substantial annual revenues by the mid-1990s, it is putting pressure on BAe resources. The company is in the costly process of building up production of the wings for the new Airbus A330/A340 widebody airliners due to be delivered to customers from 1994.

Airbus, like Boeing and McDonnell Douglas, also faces a difficult year in terms of winning new orders because of the financial problems of all international airlines.

● The other success story is BAe's 125 corporate jet family, which has continued to perform strongly. But these programmes are relatively small in the context of the company as a whole.

By splitting the commercial aircraft operations into three parts, BAe appears to have set the stage for even broader restructuring of these activities. This could eventually include the merger of its new regional aircraft unit with other international partners and possibly a similar alliance or even the sale of the profitable corporate jet business.

"They are going to have to take a tough decision whether they stay in the regional market or not in the absence of finding a suitable partner," said Mr Keith Hodgkinson, aerospace analyst at Shearson Lehman.

This would mark the end of an era in the British aircraft industry. But BAe, due to report its 1991 preliminary figures next week, which are expected to show a loss because of extraordinary restructuring charges, is in a precarious position.

BAe's overall difficulties have been compounded by its senior management's loss of credibility after the mishandled rights issue last year.

The power vacuum created by Sir Roland Smith's departure after being forced out of the chairmanship in September has not been filled; it has grown.

Sir Graham Day, already the chairman of Cadbury Schweppes, is only BAe's interim chairman. After four months of searching for a full-time successor, Sir Graham has just started interviewing potential candidates.

The search is proving difficult. Sir Christopher Hogg, chairman of Courtaulds, the chemicals group, and Reuters, the financial information company, was Sir Graham's favoured candidate. He turned the job down a month ago.

Sir James Blyth, the chairman of Boots who is a BAe director and a former head of export sales at the Ministry of Defence turned down the post last autumn. Mr David Simon, the chief operating officer at British Petroleum said no. Sir David Lees, the chairman of GKN, has also turned down an approach. Attention is currently focused on Mr Christopher Lewinton, chairman of TI, the engineering group.

The process of finding a new chairman has been complicated by the need to find a new finance director. Mr Dudley Eustace is leaving this summer after taking responsibility for the shortcomings of the company's financial reporting system which failed to send early warnings of the collapse in group profits.

The political climate in the UK is also likely to complicate the task of finding a new chairman. Although BAe insists a new chairman is expected to be appointed at the end of April, it seems likely that such a move will be delayed until after the general election. The outcome will not just affect how much work BAe will get from the Ministry of Defence. A new chairman would want a clear political mandate to rationalise the company by closing unprofitable operations and selling others without fear of political interference.

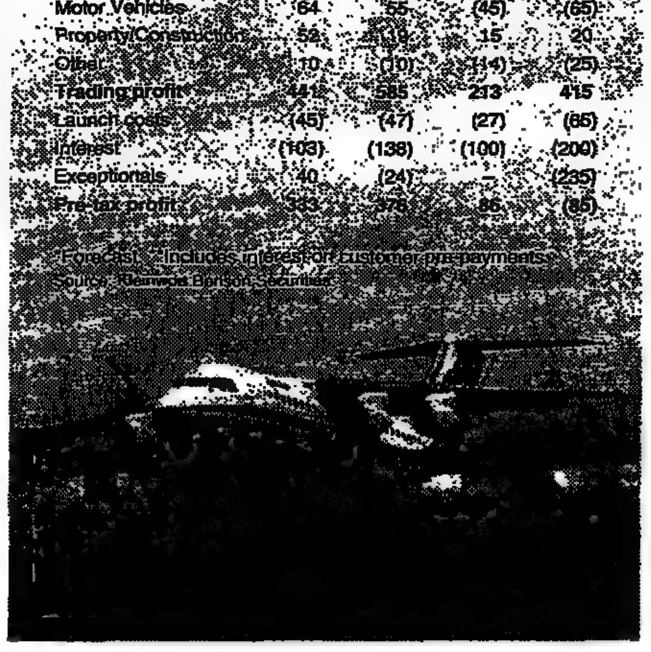
Whoever ends up in the hot seat faces an uncertain future. He will confront the dilemma of either refocusing the group on its traditional aerospace activities, with a subsequent phasing out of its car and property interests, or reinforcing its ambition to be Britain's leading diversified manufacturing conglomerate.

British Aerospace

£ million

	1989–90	1990–91	1991–92 First half	1991–92 Full year*
Defence Systems**	300	486	273	500
Commercial Aircraft	15	35	(16)	(15)
Motor Vehicles	64	55	(45)	(65)
Property/Construction	52	19	15	20
Other	10	(10)	(14)	(25)
Trading profit	441	585	213	415
Launch costs	(45)	(47)	(27)	(65)
Interest	(103)	(136)	(100)	(200)
Exceptionals	40	(24)	–	(235)
Pre-tax profit	333	378	86	(85)

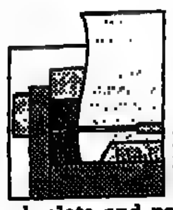
*Forecast **Includes interest on customer pre-payments
Source: Kleinwort Benson Securities



PERSONAL VIEW

The problem of plutonium

By William Walker and Frans Berkhout



Imagine the plight of a producer compelled by government inertia and past contracts to pay over the odds for obsolete and potentially dangerous materials. This is the unenviable situation of the nuclear electricity producers in Europe and Japan – and the problem is plutonium.

Plutonium is one of the materials recovered from spent nuclear fuel during reprocessing. Separated from the uranium and waste in spent fuel rods, it can power conventional or "fast" reactors. This permits recycling and is an alternative to storing spent fuel.

The difficulty is that the economics of reprocessing have changed since the 1970s. Twenty years ago, countries with nuclear power programmes believed that reprocessing would help reduce the volume of radioactive wastes, and so ease disposal problems. It would also produce the plutonium considered to be an essential fuel for the next generation of reactors.

But plutonium-fuelled fast reactors have been expensive and prone to technical mishap. Storing spent fuel is cheaper than reprocessing, and a recent study for the German government shows that the costs of eventually disposing of it are close to those of dealing with wastes from reprocessing. Furthermore, uranium – used in conventional reactors – has become plentiful and cheap. The electrical utilities in Europe and Japan which signed contracts in the 1970s and 1980s with the British and French reprocessing companies prefer it to plutonium.

These companies – British Nuclear Fuels and Cogema respectively – responded to the early demand for reprocessing by building a facility (Thorp) at Sellafield, in the north-west of England, and two at La Hague, in Normandy. One of the La Hague plants began operating in 1990. The other is expected to come on stream in 1992-93, as is Thorp. Some 15,000 tonnes of spent fuel have already been delivered to these plants.

About 190 tonnes of plutonium will be produced by the new plants over the next decade. Large amounts are also likely to come from dismantled US and Soviet warheads. A great deal of plutonium is therefore becoming available when there is no commercial need for it.

Under their contracts with the reprocessors, the European and Japanese utilities must take back their radioactive wastes and the plutonium separated from them.

This creates a further problem for the governments of the countries concerned. An unwritten rule of international politics forbids states with no nuclear weapons from amassing more plutonium than is required to meet commercial needs. Germany and Japan in particular find themselves in a bind. As their spent fuels are reprocessed in Britain and France, they will gain title to more than 30 tonnes of plutonium which, if not used, would put them in breach of the rule.

To consume this surplus plutonium, Germany and Japan have made plans to use it in mixed-oxide (Mox) fuels in existing reactors. The snag is that Mox fuels are expensive and politically controversial on safety and environmental grounds. Utilities face problems in getting licences for enough of the reactors to take the fuel.

Plutonium consumption will lag far behind production. This has long been the case in Britain which has stockpiled 34 tonnes of plutonium.

But the costs cannot be counted in commercial terms alone. Plutonium is a nuclear weapons material and because of its toxicity is a potential environmental threat. These two facts make plutonium transport a fraught political issue. This is true particularly for Japan. From August, repatriating its plutonium will involve an armed Japanese ship regularly crossing the Atlantic and Pacific Oceans. This prospect has already aroused the territorial sensitivities of countries on the route.

Government officials know that the policy of supporting the reprocessing of nuclear fuel to obtain plutonium for which there is no ready market no longer makes sense. Before plutonium begins to accumulate at La Hague and Sellafield these officials should bring together the parties to the reprocessing contracts and break the present impasse.

If the conclusion is that the reprocessing plants should not operate, so be it. The spent fuels can be stored instead, saving money and avoiding the production of yet more plutonium.

William Walker is a senior fellow and Frans Berkhout is a research fellow at the Science Policy Research Unit, University of Sussex.

Correction

Philip Morris

A footnote to a graph of European food companies, attributed to Bain & Co and published on January 27, stated incorrectly that Philip Morris's sales referred only to Kraft General Foods. In fact, the figures also included Jacobs Suchard.

OBSERVER

All the King's horsemen

■ Ours not to reason why. Just be thankful the air of chivalry hasn't entirely evaporated in defence secretary Tom King's reshuffle of Britain's Army.

True, cooks and latrine-diggers are being lumped together with drivers and so on to make a Royal Logistic Corps. But new titles are out for cavalry regiments due for amalgamation, although the peculiar logic that gave rise to the old names has become still more unfathomable in the process.

The fact that the titles now refer to armoured troops is easily grasped by comparison with manoeuvres such as the replacement of the existing King's (no relation) Royal Hussars by the King's Royal Hussars formed from the Royal Hussars (Prince of Wales's Own) combined with the 14th/20th King's Hussars.

Never mind that another regiment currently carries that title (the 15th/19th). It will disappear along with the 13th/18th Royal Hussars (Queen Mary's Own) and re-emerge dashingly as the Light Dragoons, which is what their ancestor regiments were called before, for reasons now obscure, they started becoming hussars early last century.

Even more obscure is why, on reverting to dragoons, they should be light ones. Could it be, for instance, that they're "light" in the same sense that beer is, or entertainment?

Muzzled

■ If stockbrokers were forced to apologise and withdraw every report that proved to be rubbish, the City would be a much more sensible place. But as it rarely if ever happens, it is surprising that such a row has erupted over BZW's draft report on the implications of the accounting standards board for company accounts.

In terms of the quality of its investment research BZW ranks well down the league tables and it is not known for any particular expertise in reviewing new accounting standards. So why should there be such an uproar when it produces what sounds like a piece of shoddy research?

Having to withdraw the draft is highly embarrassing for BZW. But it also shows how difficult it is for brokers to publish material which is not to companies' liking.

Beaming up

■ If people are flying about more, is the recession over? BAA's monthly airport traffic figures do not have anywhere near the same impact as changes in US railroad box-car loadings once had on Wall Street sentiment, but they do suggest something is happening out there.

A year ago everyone was on hold because of the Gulf War, so last month's 13 per cent jump is a distortion. Nevertheless January was the fourth month in a row to show a year-on-year increase and traffic on the Edinburgh-London route, regarded as a barometer of the domestic economy, has risen for the past two months and is up on January 1990 levels.

Rings a bell

■ Any reader who senses a familiar ring in the name of Stephen Mitchell – the lawyer who claims he has met the two Libyans charged with blowing up Pan Am flight 103 – is probably not mistaken.

An insurance specialist, he has worked on many of Lloyd's of London's celebrated cases, including the Savonita and Sasse affairs as well as the corporation's computer-leasing debacle. Moreover, a Lloyd's

"Malboro Country just won't be the same"

member himself, he surprised friends and foes alike by joining the board of the embattled Richard Outhwaite agency.

Mitchell is no stranger to tragedy either. His fiancée was one of the 346 victims of the 1974 Turkish Airlines DC10 disaster, after which he successfully fought for compensation from McDonnell Douglas in the US courts on behalf of 100 British families.

He apparently has no axe to grind in the Lockerbie case. He says his meeting with the Libyans' lawyer was arranged through a mutual friend.

On the rocks

■ The icicles were almost audible when Ernest Saunders, former chief executive of Guinness, turned up on Radio Four's Today programme to discuss the collapse of the Guinness II trial.

Before the interview Saunders had been asked to wait in the tiny hospitality room at Broadcasting House with another guest already there. His face blanched markedly when he opened the door to find Barbara Mills who, as director of the Serious Fraud Office, was the power behind his 10-month sojourn at Ford Open Prison.

The surprise was mutual. Carelessly or cunningly, Radio Four had told neither of them that the other was to be there.

Peace of cake

■ The former occupant of Black Forest Chateau has returned. After a three-year stint in his native Cyprus, Chris Leveras is back in Teesside helping to spare the government's blushes with some cheesecake.

In 1965 Leveras founded his cake-making company, CDL 44 Ltd – CDL for his initials and 44 for his age at the time – in Hartlepool. Six years later he had built it up to employ 400 producing a turnover of £5.5m and then sold out to Allied-Lyons.

Now he is taking a second bite at the British appetite for sweetmeats by setting up a new company, Livera Foods, and announcing plans to produce up to 75m gateaux and cheesecakes a year from a state-of-the-art factory in Stockton-on-Tees.

This gourmand assault on the market has spared the government embarrassment, in a Tory marginal constituency, by promising to create 700 jobs on a site to which the ministry of defence had planned to move its large quality-assurance unit before the peace dividend forced a rethink.

No problem

■ Calling the teams together before a rugby international, the referee reminded them it was a big occasion, and added: "The last thing I want to see is nastiness on the field."

"Fair enough, Ref," grinned a toothless prop forward. "Any other last wishes?"

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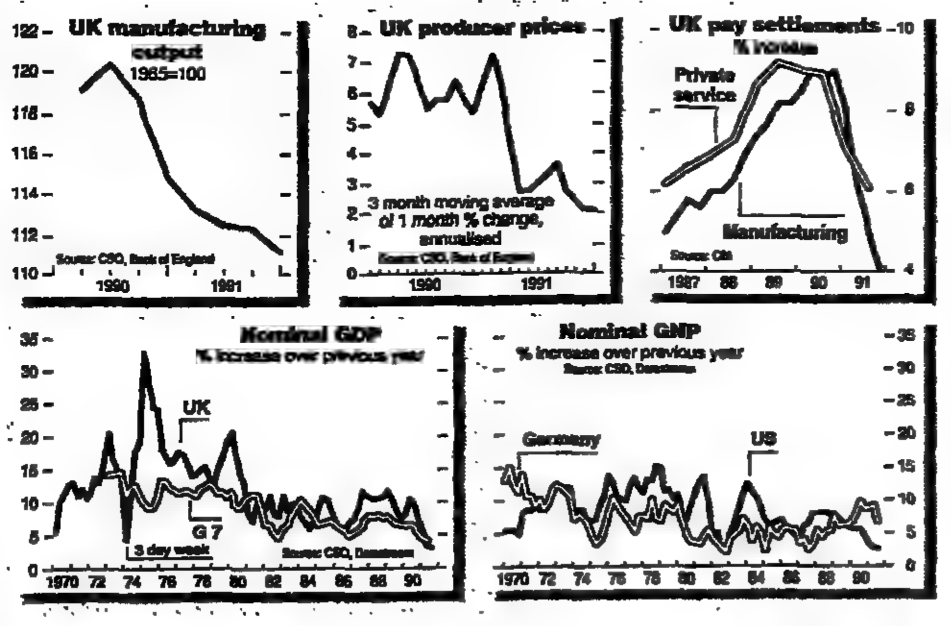
ECONOMIC VIEWPOINT

Why falling inflation is still good news

By Samuel Brittan



Towards the end of last year, I wrote that the UK economy bore the shape of a "drooping L". The phase of steeply falling output had come to an end; but production was still falling slightly. Since then, little has happened to change the picture. This is illustrated by the chart of manufacturing output.

It would be as foolish to be depressed by this February's gloomy Bank of England Bulletin (which apparently was gloomier still before the Treasury got to work on it) as it would have been to be reassured by the Bank's more upbeat assessment in November; and I owe an apology to one or two small businessmen to whom I sent the November Bulletin. But wouldn't it be just too convenient if a similarly gloomy forecast from the Treasury (forecasters tend to move in flocks) were used to justify a Budget giveaway before the election? Such a giveaway would have nothing to do with the real Lord Keynes who advocated state and state-supported investment in a recession and was always wary of lasting deficits on current revenue and expenditure.

The election is cited as a reason for caution by home buyers and businessmen alike. This is probably just an excuse for delay when they feel uncertain. What vast revelation they expect to get after polling day escapes me.

If Labour wins, there will be some highly inefficient social redistribution through the mechanism of across-the-board increases in pensions and child benefit. There will be a mixture of reasonable removal of the ceiling on National Insurance contributions and a vindictive and counterproductive increase in the top marginal income tax rate from an effective 40 to 60 per cent. There will also be the threat of a legal minimum wage, and more support for the anti-social Social Charter.

But these are insidious longer-term dangers, and would not quickly transform the business outlook. Nor, for that matter, would any success in the education and training programmes about which Labour spokesmen talk so incessantly.

There is, however, one unambiguous piece of immediate good news. That is the rapid fall in the rate of inflation, which is much steeper than anything to be indicated by tomorrow's Retail Prices Index. A much better indicator of trends is the Producer Output Price Index. It has now fallen – excluding food, drink and tobacco which are affected by Budget changes – on a seasonally corrected basis, to 2 per cent per annum, the lowest since the start of the series.

The RPI is being dragged above this level by faster increases in the service sector. Retail prices of services other than housing and public utilities rose by 10½ per cent in the year to last December. But some relief is coming on this front, too. Not only have reported pay settlements in manufacturing fallen, according to the CBI Databank, to 4.1 per cent in the last quarter of 1991, the lowest since the Databank began (in 1980). This series reflects, more than it causes, inflationary pressure. But in addition the much more sluggish private services sector reports a fall to 6.1 per cent in the second half of last year, down from a peak of more than 9 per cent in 1989.

Worldwide demand expansion in money terms has become insufficient

In addition manufacturing productivity growth is now recovering strongly: to 5 per cent per annum, according to the CBI, and nearly 3 per cent according to official estimates. Even allowing for wage drift, the gap between pay and productivity is now close to the 2 per cent normal among Britain's main competitors.

When inflation is low, the opinion polls show that jobs and recovery are the top priorities. But once the upturn comes, inflation goes back to the head of the agenda and unemployment is relegated. Thus those take as their motto "I am their leader, I must follow them" will run from pillar to post. In fact low and falling inflation is still a blessing. For it provides headroom for a recovery of output.

The postwar view that governments could spend their way into prosperity has been exploded. But nor is there any excuse for governments and central banks to stand idly by if the world looks like spiralling into depression. What they can do, especially if they act in concert, is maintain an expansion of demand in money terms sufficient to support a rate of real growth in line with the growth of productive capacity, but not to finance inflation. This common sense can be called reconstructed Keynesianism, or monetarism without mysticism.

For most industrial countries a 5 per cent per annum growth rate of nominal GDP – that is, GDP in actual money – will be something close to what is desirable. So if underlying inflation falls below this figure there is headroom for a resumption of growth. This is the case in the UK and in the Group of Seven summit countries as a whole.

Keynes did speak of burying pound notes and Friedman of dropping dollar bills

For the first time since the 1973 oil price explosion, worldwide demand expansion in money terms has been insufficient for normal non-inflationary growth and it is reasonable to think of a stimulus. The main exception is Germany where nominal GDP growth has been above 6 per cent because of the boom in the west following unification.

In the UK annual nominal GDP growth (at "factor cost" to avoid tax distortions) is down to 3 or 3½ per cent, the lowest since the early 1960s.

Will, however, national authorities go in for this minimal degree of demand management? The excuse that nominal GDP estimates are late and erratic does not hold water, if one is concerned with responding to trends rather than fine tuning. Indeed the US and Japan are acting to maintain nominal demand growth, without using the terminology. So too, if a little less clearly, is the Bundesbank which wants to stamp on inflation but certainly not to produce deflation.

I approached the outlook via policy rather than talk about personal indebtedness, because nobody knows how far consumers and businessmen will want to reduce their borrowing before they resume their normal spending habits.

Suppose it is a long time. What can governments do? I doubt whether fiscal policy can help – except by strictly temporary tax cuts – if only because the budgetary outlook in so many countries is so bleak. Monetary policy is still the most promising route.

The limits of interest rate policy have not been reached. But if they ever are, Keynes did speak of burying pound notes in the ground and leaving it to the forces of self-interest to dig them up. Milton Friedman has spoken of dropping dollar bills by helicopter. It is not time for these heroic devices yet, given that nominal demand is still only a little below a normal growth path – having descended from highly inflationary rates.

Are countries such as the UK and France barred from either conventional monetary policy or more spectacular gestures heroic route because of the exchange rate mechanism. Yes. But they are not powerless. The weapons that the non-German ERM members must adopt are more like those of a peripheral region within a currency area that is not enjoying the boom conditions at the centre. The main weapon is frankly to price themselves back into work, which Britain and France are indeed doing.

If they can just hang on somewhile longer to the policies which have brought about low inflation, the heavy cavalry of the Bundesbank will come up from behind. They may not say so in Frankfurt; but once Germany is over the inflationary hump, interest rates there could fall quite quickly and the G7 would be ripe for another attempt at joint monetary management.

BOOK REVIEW

The move is on to Nowheresville USA

EDGE CITY. Life on the New Frontier
By Joel Garreau
Doubleday $22.50. 546 pages

One of the most dynamic urban centres in North America is a city with no name, merely a number: 287/78. You will not find it on any map, nor does it have a coherent civic government.

Yet it, and the dozens more like it mushrooming across the US and Canada, may represent the biggest change in more than 100 years to how the western world builds its cities. 287/78 lies about an hour west of Wall Street, in the lightly wooded suburban sprawl of New Jersey. It takes what identity it has from the two interstate highways – 287 and 78 – which cross at this point.

These good transport links have encouraged some of America's biggest companies to quit the dirt, high costs and sheer inconvenience of Manhattan for grassy new "campuses" hidden away amid the clapboard and shingle homes and shopping strips.

The world headquarters of American Telephone & Telegraph is here. So too are offices of Johnson & Johnson, Bristol-Myers and Hoechst Celanese. 287/78 may not have a name, but it has more office space than downtown New Orleans. It may not have any commercial flights into its little airport, but so many corporate jets use it that it has its own customs shed.

But this, you may be thinking, is no city. It has no centre, no soul, no shared history. It is merely a characterless, suburban excrescence, a ghastly monument to the power of unfettered American development capital.

And that, says Joel Garreau, in his stimulating book, is where you would be very wrong. To him, 287/78 is a prime example of an "edge city", a phenomenon which, like it or not, is "the crucible of America's urban future", and an example the rest of the world is starting to follow.

Edge cities are the mixed business, residential and shopping conurbations which have sprung up on the edge of America's big 19th century cities. Garreau reckons there are about 20 in the greater New York area alone. Other examples include the area around Houston's Galleria shopping mall, and the remarkable sprawl that is greater Los Angeles, probably the first edge city of all.

Garreau, a journalist on the Washington Post newspaper, reckons that what we normally think of as a city, with a defined centre, tall buildings standing cheek-by-jowl, is a relic from the last century. What makes a city a city, he argues, is not how it looks, but how it functions, and edge cities exist because they provide an efficient answer to the needs of the computer, motor car and jet age.

They are also a response to the age of the working woman, with employers realising in the 1970s they could tap a huge pool of well-educated, female, white-collar labour if they sited their offices out in the suburbs.

For the most part, edge cities are the product of commercial developers – "the Medicis of the 20th century", according to one Houston planner – who have simply been responding to the iron laws of the marketplace. Garreau says. "Their unshakeable observation was this: if they gave the people what they wanted, the people would give them money. The crazy quilt of edge city made perfect sense if you understood the place as the manifest pattern of millions of individual American desires over 75 years."

Good architects and planners, however, have tended to stand aloof, regarding the suburbs as "sprawl gone wrong", and the people in them as "so banal as to be utterly remote from their experience and interests".

Garreau defines an edge city as having at least 5m sq ft of office space – more than exists in downtown Memphis, Tennessee – which is apparently the level needed to support a luxury hotel and set off further development. It must have 600,000 sq ft of retail space, enough for a large shopping mall, the edge city equivalent of the town square. It must also have more jobs than bedrooms, be perceived by the population as one place, and have been suburbs or cow pastures a mere 30 years ago.

"Making sense of an edge city," he writes, "requires the following leap of faith: any place that is a trade, employment and entertainment centre of vast magnitude is functionally a city. That is true no matter how sprawling and strange it looks physically, and no matter how anarchic it seems politically."

Garreau is on more controversial ground when he argues that this new phenomenon does not necessarily spell decay for America's old inner cities. He points out that the rise of edge cities has coincided with, and possibly provided the capital for, a striking revival in many of America's biggest city centres, which may become mainly cultural and tourist resources. That, however, is to brush aside the dire problems of the black urban underclass living alongside many of these cultural jewels – although he does point out that America's new black middle class is growing rapidly in edge city.

This is an important book, wittily and entertainingly written in somewhat breathless journalistic prose. Its many pleasures include an amusing glossary of developers' English. Plants and trees are "softscape". Potholes are "pavement deficiencies" and a beautiful building is "one that is fully leased".

Garreau provides no clear answer to the central question of whether the edge city can rise above its sterile origins. He admits to depression on the subject during the four years in which he wrote this book.

Yet whenever he lost hope, there was always someone on hand with good advice: "Calm down, take deep breaths. These edge cities are only 10 to 20 years old. It took Venice 500 years to become what it is today. Our new edge cities are works in progress. It's just beginning to dawn on us that they are cities." Quite so.

Martin Dickson

LETTERS

A gratuitous comparison

From Mr J D A Evans.

Sir, British Rail managers have to have thick skins but should they really have to put up with being likened by Mr Jonathan Price to a group of Communist party officials running an east German Kombinat (Letters, February 10)?

Perhaps Mr Price would like to say how many such groups have consistently reduced operating costs over recent years; halved their dependence on government grant; turned round a major component of their business from substantial loss to significant profit; and stand comparison with the best in Europe on productivity and cost-effectiveness in spite of enjoying a far lower share of national resources?

Does he have any idea of the fundamental changes taking place in BR in organisation, in restructuring working arrangements, in programmes for quality, safety and culture change?

It is ironic that your paper's same edition mentions a project to build the Waterloo International Terminal which is on time, on budget and on its way to providing a thoroughly modern, fitting gateway for the coming Channel tunnel services. Where is the eastern European parallel for that?

There is much to be done to improve railway services in Britain and management undoubtedly has its part to play.

But the debate and performance of the railways will be helped by constructive, informed comment rather than by gratuitous abuse.

J D A Evans,
director of public affairs,
British Rail,
24 Eversholt Street,
PO Box 100, London NW1 1DZ

Thrilling

From Mr Michael Reid.

Sir, Jurek Martin writes ("Authenticity reveals the clue", February 1) that one of the prerequisites of a good suspense novel is the ability of the writer to describe sex and violence. Why? Many of the best suspense novels and thrillers have little or no description of sex or violence: suspense and menace are much more important ingredients.

Michael Reid,
Via Palestro 11,
Rome, Italy

Public sector pay rises a missed opportunity to hold down inflation

From Chris Trinder.

Sir, In "Pay rises above inflation for 1.5m public employees" (February 11) you contrast the government's decision to implement in full the Pay Review Body recommendations for nurses, teachers, armed forces and doctors, with the Confederation of British Industry evidence that pay settlements of 4.1 per cent in manufacturing are at their lowest level since 1980. However, the full implications could perhaps be spelt out more fully.

There is first the public sector externality effect for 1992 of this week's announcement. The review body pay awards set the parameters for the rest of the public service. More than half of the National Health Service staff had their pay increases announced this week, and the remainder – although they may not do so well – see these settlements as the benchmark for their own negotiations. Similarly, the teachers' pay settlement is closely watched by other local authority employees.

But on this occasion there may also be a private sector effect and follow-through public sector effect into 1993. The review body groups' settlements this year were partly based on comparability with private sector earnings increases in the year up until autumn 1991. The current steep fall in private sector settlements, while welcome, is fragile. The slightest sign that the government is not serious about the consequences of not keeping pay rates down, now that we are in the ERM, could lead to a weakening of this private sector resolve. And if private sector pay in 1992 is higher than it would otherwise have been, then next year's Pay Review Body settlements will be higher, too.

Ahead of the election, the government could have given an unambiguous signal to help ratchet down pay increases to the new permanent lower levels of inflation. This one chance window of opportunity has now been missed.

Chris Trinder,
research director,
Public Finance Foundation,
3 Robert Street,
London WC2N 6BH

Sponsors of the arts should be given credit for their role

From Mr Colin Tweedy.

Sir, Mr Massil's letter (February 8) on business sponsorship of the arts shows he has no understanding not only of arts sponsorship, but also of arts funding. No government has funded the arts to everyone's satisfaction. As Mr Massil knows, there were sponsors in ancient Greece, though his comments on sponsorship of the Parthenon make no sense.

Business has no moral or legal obligation to fund the arts. Sponsorship is a business deal, a transaction where both sides benefit. If the media steadfastly refuses to credit sponsors then the business rationale within a company becomes increasingly difficult. No sponsor is asking for its logo to be emblazoned across Frances Barber's bosom in the National Theatre's *Night of the Iguana*. Data General is seeking recognition for its sponsorship of this wonderful new production – are the four words "sponsored by Data General" too much to ask? Fortunately not, in the FT at least, though other newspapers have been slower in following this lead.

ABSA stresses that sponsorship should be a supplement to, never a substitute for, government support. Business is a partner with government, central and local. Sponsors, by bringing their guests to "hospitality rooms" and then a performance, are increasing the potential audiences to the arts. Hostility towards business is an example of ignorant prejudice. The arts need the support of business – let us encourage more money from the private sector, not less.

Colin Tweedy,
director general,
Association for Business Sponsorship of the Arts,
Nutmeg House,
60 Gainsford Street,
London SE1 2NY

Never mind childcare, what about the over-40s?

From Mrs Janet L Johnson.

Sir, It makes my blood boil every time I read yet more inches of newsprint on the subject of childcare facilities for working mothers. It seems to have escaped the notice of the powers-that-be that there are armies of women who are past child-bearing age but willing and able to work for another 20 years before reaching pension age.

Where are the jobs or concern for these women?

One would be forgiven for imagining that women between the ages of 40 and 60 did not exist! If one has the misfortune to fall into that category, the job prospects are poor, if not nil, after the age of 50, despite having years of good experience under our belts. Which is why I have been forced to obtain employment in Libya – the last outpost of the middle-aged secretary! In the UK they are, apparently, unemployable.

On one of the few occasions when I secured an interview last year (for a low-grade, low-paid job), and having presented my credentials stating I had 30 years' experience and for the past six years had been employed as an executive secretary, I was obliged to take a spelling test! We may be regarded as dinosaurs – but we are not cretins!

If there is indeed an actual or projected shortfall in the workforce, owing to decreased numbers of school-leavers, why are mothers of small children targeted for vacancies? We exist, too, and we do not demand nursery facilities. Are employers too short-sighted to recognise this fact?

Incidentally, I raised four children, as a working mother and made my own childcare arrangements, when it became necessary to return to work 20 years ago. Nobody ever wet-nursed me!

Janet L Johnson,
legal department,
National Oil Corporation,
PO Box 2655 Tripoli,
Libya

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Russia likely to set up an independent command in spite of military opposition

CIS may founder over army question

By John Lloyd in Moscow

THE Commonwealth of Independent States, the successor to the Soviet Union, may founder tomorrow in Minsk – where it began a little more than two months ago. A formal announcement to that effect is unlikely, but another session of papering over the cracks is probably impossible.

The root problem is the army, the only surviving institution of the Soviet state but one whose future is increasingly uncertain as the individual republics, including Russia, opt for separate forces.

Fears about the army's reaction to its disintegration were highlighted yesterday when rumours of a possible coup attempt against President Boris Yeltsin swept some western stock markets. This followed a comment by Mr Eduard Shevardnadze, the former Soviet foreign minister, that the economic crisis and anger in the armed forces could lead to a coup.

Such tensions are likely to persist, in part because in the past week a succession of statements by senior military advisers around the Russian president made it clear that they expected the announcement of the creation of separate Russian armed forces immediately after the CIS leaders' summit at Minsk.

Yesterday officials in Moscow said the decree was likely to be promulgated at the weekend – and that it would envisage an armed force totalling 1.5m men, which would become a professional force in a few years.

In an interview with the Financial Times yesterday, Col Alexei Tsaryov, chairman of the defence sub-committee of the Russian parliament, said a resolution along these lines could be submitted to the parliament today.

He said Mr Yeltsin agreed with the thrust of the thinking for a Russian command but had boxed himself in by "promises he had to make" that Russia would be the last to create its own forces. This position was no longer tenable.

He warned, however, that the move would run into severe opposition from the armed forces general staff, headed by Marshal Yevgeny Shaposhnikov.

The general staff has prepared 14 documents calling for a unified command for the CIS armed forces, with provision for a council of defence ministers to supervise it. A working group from the Commonwealth states has over the past two days been discussing these documents in Minsk in preparation for tomorrow's summit.

"Their conception is for practically unlimited power for the general staff. There is no place in it for the parliaments of the states. This is completely unacceptable to us, and it will be to other republics," said Col Tsaryov.

The Russian parliament sub-committee will propose that the statement on Russian armed forces should include the following:

- Russia will create its own defence capability;
- Other states should then decide what association they wish to have with the Russian forces, especially with the nuclear forces which Russia plans to monopolise;
- An interparliamentary commission will be formed to thrash out the division of the forces.

The latter point is likely to be contentious. The Ukrainian government fears that the Russians will use the treaty on conventional forces reduction in Europe – due to be ratified in the next two months – to insist that it gets the lion's share of conventional weapons.

Ukraine has most of the Commonwealth tanks on its territory, and has claimed control over them. Russian military strategists, however, are calling for a redistribution of the forces based on the size of the republics – giving Russia the majority of the equipment.

The dispute between Russia and Ukraine over the Black Sea Fleet, by contrast, may be less contentious because the indications from Ukraine are that the government may be content to take a small part of the fleet on condition that the status of the Crimea, once part of Russia and now a district of Ukraine, will not be disputed.

On the question of nuclear weapons, Col Tsaryov said Russia should propose to the other states that they can "contract in" to strategic defence provided by Russia provided they share the costs and allow their citizens to serve in strategic forces under Russian command.

If the CIS leaders do reject a unified military command tomorrow, and the process of creation of independent forces begins in earnest, the Commonwealth will have little content as an executive body.

The best that can be hoped for is that the states can agree a process of civilised co-operation on military, economic and other matters.

Soviet capital flight, Page 2

Bush starts re-election campaign

Continued from Page 1

Buchanan campaign stays alive until June it could force Mr Bush to adopt a more right-wing stance than he would like in California, the US's most populous state and one of the last to hold a primary.

In turn, this could complicate the president's campaign strategy in the November general election, when some politicians believe the Democrats could win California for the first time since 1964.

Mr Bush yesterday told his supporters his message had not changed since he became vice president in 1981. "I believe government is too big and it costs too much, and I believe in a strong defence for this country, good schools, safe streets."

He also criticised Mr Buchanan's isolationist views. The Bush campaign is reported to have prepared negative advertisements directly attacking Mr Buchanan, but Mr Bush said he would like to get through the primary "without going after another Republican".


George Bush and US treasury secretary Nicholas Brady at a cabinet meeting yesterday

British Aerospace to cut 2,350 jobs

By Paul Betts, David White and Ivor Owen in London

BRITISH AEROSPACE is to cut 2,350 jobs at five aircraft plants, reflecting reductions and delays in defence contracts and the impact of the recession on the airline business.

The latest cuts, due to be carried out this year, mainly affect administrative and technical staff and follow a reduction of about 10,000 in production jobs at the UK aerospace group over the past two years. It now employs 116,000 people.

BAe said it hoped to achieve the cuts through voluntary means but did not rule out compulsory redundancies.

Union officials accused the government of inaction in the face of demands for support to help defence businesses diversify into other sectors.

In the House of Commons, Labour MPs called for "action, not words" when Mr Peter Lilley, UK trade and industry secretary, rejected demands for new policies to counter the rising tide of redundancies in manufacturing industry.

He expressed regret about the cuts but stressed that the company, unlike Labour MPs, had acknowledged the effect of the worldwide recession.

The BAe announcement came a week after 450 jobs were cut at the group's guided weapons division.

Up to 1,000 more jobs at that division depend on the group clinching a new air-combat missile project for the Royal Air Force.

Worst affected by yesterday's announcement is the civil aircraft site at Hatfield, north of London, where BAe is the biggest employer and where 830 of 3,400 jobs will be lost.

A further 550 jobs are to go at BAe's main military aircraft plant at Warton, Lancashire, north-west England, and a similar number at Brough, Humberside, in north-east England.

Work on Tornado jets at Warton will come to an end this summer unless BAe wins a fresh contract for Saudi Arabia.

BAe is about half way through a programme of cuts in its military aircraft division announced in 1990, reducing the number of production sites from six to four and employment from more than 26,000 to about 21,000.

Its Preston plant in Lancashire, north-west England, is due to close next year.

BAe said the costs of the job cuts were covered by restructuring provisions in its 1991 accounts.

Preliminary 1991 results are due to be presented next Wednesday.

BAe said in September that these were likely to show pre-tax profits of at least £150m ($270m), excluding exceptional items, but that rationalisation costs alone would be about £250m. In 1990 it had pre-tax earnings of £376m.

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Struggles in the sky, Page 16

Watanabe calls for return to yen and sen

By Robert Thomson in Tokyo

JAPANESE people reached for their calculators yesterday after Mr Michio Watanabe, the foreign minister, announced that knocking noughts off the yen would lead the country out of "recession".

A redenomination, he argued, would revive the economy by stimulating demand for new vending machines – of which there are some 5m in Japan – and paper.

The Bank of Japan was not amused; the finance ministry embarrassed.

Past calls for a redenomination have been inspired more by pride than fiscal policy, with many Japanese believing that Y1.27 to the dollar sounds better than the present rate of about Y127. Instead of just yen, according to Mr Watanabe's plan, there would be yen, sen and rin, with 100 sen to the yen, and 10 rin to the sen.

A similar system existed before the Second World War, and older Japanese people believe that a return to the yen and sen would be a symbol of the country's successful rise from the ashes. The word "sen" is still sometimes used to denote fractions of a yen, but the smallest denomination now is the flimsy, one yen coin.

Mr Watanabe is also deputy prime minister, a faction head of the ruling Liberal Democratic party (LDP) and the next in line for a stint as prime minister. He has a reputation as a straight talker, although this has led to public apologies for insults to Americans, Chinese and Brazilians in recent years.

In a public address, Mr Watanabe said redenomination should come as soon as possible. It would revive the economy by creating new demand for a range of currency-linked products, including accounting materials, vending machines, paper and computers, he said.

Finance ministry officials said revising the currency system would make no real difference to the economy. An ailing Tokyo stock market drew some encouragement from the idea although the paper industry was the only sector to report an increase in stock prices.

A surprised Mr Yasushi Mieno, the Bank of Japan governor, insisted that the central bank was not considering a redenomination. He opposed the idea because the costs of introducing a new currency system would outweigh the benefits.

He also cast doubt on another of Mr Watanabe's statements, the suggestion that Japan's economic conditions are "similar" to those of the Great Depression. The country is officially expecting 3.7 per cent growth this fiscal year, and 3.5 per cent next year.

Mr Watanabe, a former finance minister, said 100 sen to the yen would be "satisfactory", but the introduction of a 1,000th denomination would be ideal. He said the changes would create jobs and have a "favourable psychological impact" on the economy.

Japan has many vending machines, dispensing everything from flowers to frozen sushi, but the finance ministry was embarrassed by Mr Watanabe's idea that the new system would stimulate demand by forcing companies to replace equipment.

Mr Watanabe's present term as foreign minister, which began late last year, is generally seen as preparation for his taking higher office. He has thrived regardless of the past slurs on Americans (debt defaulters) and Chinese (cave dwellers) and recently he had impressed many Japanese by public displays of self-restraint.

Machinery orders drop, Page 4
Editorial Comment, Page 16

Midland was vulnerable to deception on arms exports

By Neil Buckley in London

SENIOR officials of Midland Bank yesterday admitted to MPs that the bank's policy of not dealing with arms exports to Iraq could easily have been "subverted by deception".

They told the House of Commons trade and industry committee, however, that the bank had no record of having been involved in financing the export of components for the Iraqi "supergun".

The activities of Midland's secretive defence equipment finance department were first disclosed in a Financial Times investigation last summer.

Mr Charles Bryant, managing director of international banking services at Midland, said the bank had a policy in the 1980s of refusing to "advise or confirm letters of credit" if they related "overtly" to arms exports to Iraq. He conceded it might have been possible to get round this by misdescribing items to be exported and disguising their true nature.

Mr Menzies Campbell, a Liberal Democrat MP, said this made the policy "not worth the paper it was written on".

Between 1985 and 1989, Midland arranged £871m in credit facilities for exports to Iraq backed by Britain's Export Credit Guarantee Department. Mr Bryant denied that any of these had been used for arms exports other than "soft" defence items such as communications equipment.

They said there were no records to support allegations made to the committee that Midland financed the export to Iraq of components for the supergun project: steel tubes from Sheffield Forgemasters, the UK steel company, and propellants from the Belgian munitions company PRB.

Mr Bryant admitted Midland was Sheffield Forgemasters' bank when the contract was signed but said he could not explain why Midland was referred to in papers connected with the contract.

The officials were also questioned about Mr Stephan Kock, a former consultant to Midland's defence equipment finance department and non-executive director of Astra Holdings, the UK defence group which discovered in 1989 that PRB, its newly acquired subsidiary, was supplying the supergun propellants.

The committee has heard allegations that Mr Kock visited Baghdad in 1988 to negotiate finance for the propellants. Mr Tom Robson, former director of Midland's trade and export finance department, said Mr Kock had never travelled abroad on Midland business.

He admitted he was aware that Mr Kock had produced a gun during an incident near his home in Scotland, and that during a subsequent trial, Mr Kock's solicitor said his client carried a gun because the nature of his work made him concerned for his safety.

"Is it normal for consultants of Midland Bank to carry guns?" asked Mr Doug Hoyle, a Labour MP. Mr Robson said "No."

THE LEX COLUMN

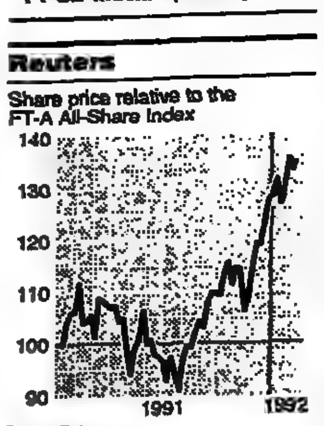
A timely story from Reuters

Reuters managed to announce its annual results several minutes before the figures appeared on the official Stock Exchange news service – a neat way of embarrassing the competition. The figures themselves highlighted the company's continued resilience in the second half: Reuters has been coping with recession better than most.

Granted, the earnings and the full-year dividend increases of 10 and 13 per cent respectively were a far cry from the heady growth of a few years ago. But Reuters' markets have scarcely been growing apace, and £24m of rationalisation costs and £29m of accelerated depreciation were absorbed easily enough. As in the previous year, it was an unexpectedly strong rise in the cash position which made the difference. Reuters now has more than £500m of net cash, which generated £50m of interest and funded the dividend increase. The question of what to do with the money is gradually becoming more pressing, although quarterly and half-year billing for customers currently paying in advance will act as something of a brake on further accumulation.

The strong performance of the shares since last July means they are on a historic multiple of 20. That is somewhat at odds with Reuters' frank admission that trading this year will continue to be tough, so the shares' progress from here may be limited. Both the Dealing 2000 (phase two) and Globex projects should at last go live this year, which will help counteract the costs of yet more rationalisation. But the group will manage only small price increases and is braced for fewer new orders. While Reuters will have to pedal hard to make headway, yesterday's evidence suggests it will not be going backwards.

FT-SE Index: 2,523.7 (-13.4)



Source: Datastream

News Corp

It is perhaps sobering for News Corporation shareholders to speculate what might have happened a year ago if something had gone wrong during the company's delicate refinancing talks with the banks. The negotiations were so delicately poised, that a single piece of bad news might have had lenders making a hasty bee-line for the door.

Yesterday's 38 per cent rise in net profits for the six months to December underlines just how far things have changed. Having got into a fix because huge capital spending coincided with declining cash flows, the company's financial position is gradually improving through cost cutting and asset sales, such as the timely Pacific Magazines deal. The interest bill fell $100m at the half way stage. News Corp's outstanding debt is still vast, but the pressure to sell good assets in depressed markets is off.

Having recovered from their low of under A$3 early last year the shares were trading in London yesterday at A$16.50. Their future strength will depend on the speed of any recovery in the company's three main territories, and by the prospects for BSkyB. Yesterday's confirmation that the satellite TV station will be in the black next month is encouraging news, and will no doubt be accompanied by a fanfare of publicity. That alone is reason to hold on to the shares for a while longer.

Tarmac-Steetley

Yesterday's decision by the Brussels competition authorities to refer the Tarmac-Steetley joint venture back to London looks sensible enough. Bricks and clay tiles, after all, do not easily cross the Channel, so markets affected by the proposed deal will be exclusively regional ones. In addition, it was always logical that Redland's bid for Steetley – which raises similar competition issues, but is too small to come under EC merger regulations – should be dealt with by the same jurisdiction.

It is doubtful, though, whether the market should look too hard for wider implications. It would certainly be wrong to see yesterday's concession to the UK as representing a change in Brussels' thinking. The Commission has already turned down two requests from the German government to be allowed to investigate largely domestic mergers, and will have made an exception yesterday only because the arguments were unusually clear cut. Any erosion of legal sovereignty sticks in the EC throat and will not be easily be repeated.

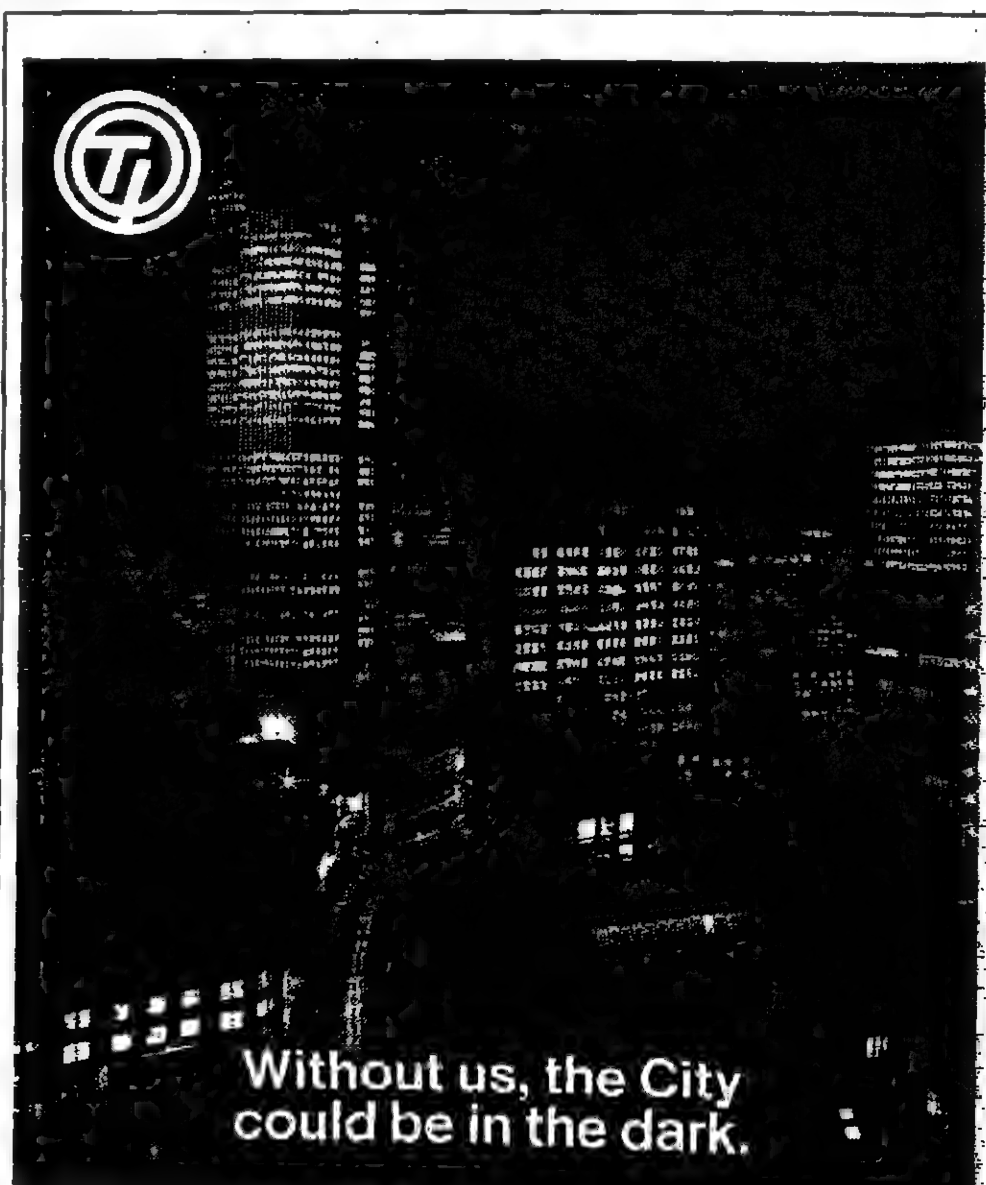
Investors would also be unwise to assume that Sir Leon Brittan's apparently strong talk about dominant positions in yesterday's statement was an overt steer for the UK's Office of Fair Trading. An unconditional reference of both deals to the Monopolies and Mergers Commission remains a possibility, though the justification would be more political than commercial. Redland will certainly hope that Mr Lilley, the UK trade secretary, is prepared to accept undertakings which would remove the need for full scale investigations of both ventures.

Oil price

The good news to emerge from the opening day of the Opec meeting is that the gap between Saudi Arabia's demand assumptions and those of other Opec members appears narrow by historical standards. But with so much at stake, it will not be surprising if it takes longer than usual to close. Judging by yesterday's nerves, the spot crude market still thinks Opec is going to find it hard to secure price stability by the time demand starts to fall in the second quarter. The haggling in Geneva is the more fraught when one considers that production in Kuwait is continuing to creep upwards. The market will want some reassurance that any agreed production ceiling takes that into account. Otherwise, the oil price will continue to be driven by short-term fears of over-supply.

Burton

Burton may have an impressive line-up of non-executives these days, but its boardroom problems are as intractable and expensive as ever. In looking to Debenhams for yet another chief executive, the group is hoping to make better use of talent within its only consistently successful retailing chain. A profound shake-up of its other stores is an urgent requirement, but that was equally the case a year or two ago. Until it finally happens, Burton's shares will doubtless remain as unfashionable as some of its clothes.



Bundy is just one of the TI Group companies getting the critical answers right. Their Belgian steel strip factory is a European leader in rolling ultra-thin, low carbon steel strip in the very narrow widths required for the anode rings of fluorescent lighting tubes. Consistent high quality of the strip is essential to ensure long life for the tubes. Without Bundy, the City might not see the light.
TI Group
We get the critical answers right

WORLDWIDE WEATHER

		°C	°F			°C	°F
Ajaccio	F	14	57	Belgrade	S	12	54
Algiers	S	19	66	Berlin	C	7	45
Amsterdam	C	11	52	Biarritz	F	19	66
Athens	S	16	61	Bombay	S	30	86
Bahrain	S	13	55	Bordeaux	F	18	64
Bangkok	F	34	93	Boulogne	R	13	55
Barcelona	S	13	55	Brussels	C	12	54
Beijing	S	2	36	Budapest	C	8	46
Beirut	R	12	54	Buenos Aires	C	25	[illegible]
Belfast	R	7	45	Cairo	F	[illegible]	[illegible]

		°C	°F			°C	°F
Cape Town	F	22	72	Edinburgh	F	[illegible]	45
Caracas	F	28	82	Faro	F	17	63
Casablanca	S	[illegible]	70	Florence	Dr	11	52
Chicago	C	-6	21	Frankfurt	C	9	48
Cologne	C	11	52	Geneva	S	11	52
Copenhagen	C	3	37	Gibraltar	S	17	63
Corfu	F	14	57	Glasgow	R	10	50
Dallas	C	15	[illegible]	Helsinki	S	1	[illegible]
Dublin	R	7	45	Hong Kong	R	12	54
Dubrovnik		–	–	Innsbruck	C	4	39

		°C	°F			°C	°F
Inverness	F	6	[illegible]	Luxembourg	Dr	9	48
Islamabad	R	9	48	Madeira	F	18	65
Istanbul	S	8	46	Madrid	F	11	52
Jakarta	R	31	88	Majorca	C	15	59
Jersey	Dr	10	50	Malaga	S	17	63
Johannesburg	S	27	81	Malta	S	16	61
Lima	C	27	81	Manchester	Dr	11	52
Lisbon	R	14	57	Manila	F	33	91
London	Dr	12	54	Melbourne	F	20	68
Los Angeles	R	13	55	Mexico City	F	22	72

		°C	°F			°C	°F
Miami	S	14	57	Nice	F	14	57
Milan	C	6	43	Nicosia	F	15	59
Montreal	S	-26	-15	Oporto	T	14	57
Moscow	Sn	-1	30	Oslo	S	3	37
Munich	R	9	48	Paris	C	14	57
Nairobi		–	–	Prague	F	8	46
Naples	S	15	59	Reykjavik	F	2	36
Nassau	F	25	77	Rhodes	S	15	59
New Delhi	F	23	73	Rio de Janeiro	F	30	86
New York	S	4	39	Rome	F	15	59

		°C	°F			°C	°F
Salzburg	R	[illegible]	[illegible]	Tenerife	S	[illegible]	[illegible]
San Francisco	F	11	52	Tokyo	F	12	54
Seoul	F	1	34	Toronto	S	-19	-2
Singapore	F	[illegible]	[illegible]	Tunis	S	17	[illegible]
Stockholm	C	3	37	Valencia	S	[illegible]	[illegible]
Strasbourg	R	[illegible]	[illegible]	Venice	F	7	45
Sydney	S	27	81	Vienna	C	9	48
Taipei	R	17	63	Warsaw	C	3	37
Tangier	F	14	57	Washington	S	[illegible]	[illegible]
Tel Aviv	F	12	54	Zurich	C	9	48

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

CRANE FRUEHAUF
Dereham, Norfolk. (0362) 695353

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COMPANIES & MARKETS
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INSIDE

Apple sues Microsoft over copyright

Microsoft, the leading software supplier, said Apple Computer was seeking potentially crippling damages of $4.36bn in the long-running software copyright infringement dispute between the two companies. The outcome of the legal battle could have a profound impact on the personal computer industry in which Microsoft is the leading software supplier. Page 20

BTP seeks £28m for acquisition

BTP, the specialist chemicals and industrial group, yesterday announced a £28.3m ($51m) rights issue, part of which will be spent on two French adhesives businesses. The 1-for-6 issue at 205p was launched with the group's share price at a high of 252p in London after outperforming the market by more than 40 per cent in the past year. Page 25

US owl helps lumber prices

Much of the impetus for the price jump in North American lumber prices is the result of the US Forest Service virtually stopping sales of timber from government-owned forests to protect the northern spotted owl and other wildlife. Page 26

Bowling along

Allied Leisure, the UK tenpin bowling and nightclub group, yesterday reported a slight increase in interim profits. Mr Richard Carr (left), chairman, said the recession had created the most challenging trading conditions the company had ever experienced, but that it had "managed much better than the majority" of its competitors. Page 24

All eyes on Danish equities

Last year Danish equities performed relatively well compared with other markets in the region and brokers expect a similar picture for 1992, although results from the banking and insurance industries could give an uninspiring start to the year. Back Page

Mexico to offer derivatives

By June Mexico's stock market authorities plan to be offering listed warrants on the bolsa index and on around 10 to 12 leading stocks. The move is an effort to bolster liquidity and stem the growing tide of derivative business conducted off-shore. Page 23

Scitex shrugs off difficulties

Scitex, the Israeli maker of electronic pre-press systems, yesterday reported a 31 per cent increase in net profits in 1991 to $100.6m, dodging both the worst effects of recession in its main markets, the US and Europe, and the collapse of Mr Robert Maxwell's empire with which it was associated. Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Aachen Mch	835	+	15
Bay Hypobank	250	+	13
Hochtief	1215	+	18
Linde	774	+	15
Falls			
Colonia Konz	1070	−	20
Metallgesell	405.3	−	9

NEW YORK ($)

Rises			
Applied Matl	45½	+	6¾
Compaq	7¼	+	¾
Egghead	21¾	+	2¼
News Corp	24⅝	+	1⅛
Travelers	23⅛	+	1
Falls			
AutoZone	37¾	−	2¼

New York prices at 12.30pm.

PARIS (FFr)

Rises			
Chargeurs	1150	+	56
Essilor Int	375	+	18
Fonc Lyonnaise	598	+	17
Industrielle	6670	+	270
Spie Batignolles	337.5	+	19.5
Falls			
Imm de France	830	−	40

TOKYO (Yen)

Rises			
Aichi Sharyo	2860	+	190
Fukusuke	1350	+	100
Japan Casting	516	+	63
Falls			
Inax	1780	−	170
Nissan Fire	1770	−	170
Toyo Steel	1050	−	100

LONDON (Pence)

Rises			
Albrighton	24	+	4
Antares	10	+	2
Clarke Foods	108	+	6
Davenport Vrn	98	+	5
Haggas (J)	86	+	6
Linread	75	+	6
Merrydown Wine	387	+	14
News Intl	330	+	15
Park Food	543	+	30
Pearl	143	+	11
St Modwen	18	+	3
Sherwood Comp	181	+	16
Taveners	140	+	30
Tottenham Hspr	100	+	10
Ward Hldgs	50	+	5
Falls			
Alexandra Wkwr	51½	−	5½
Allied Leisure	72	−	4
BAT Inds	637	−	14
Brit Aerospace	270	−	12
Chell Rel	27	−	3
Electron Data	440	−	73
Forward Tech	10½	−	3¼
Tiphook	350	−	24
Triton Europe	54	−	6

News Corp rises despite BSkyB loss

By Bruce Jaques in Sydney

NEWS Corporation has overcome continuing losses in the BSkyB satellite TV operation in Europe, in which it holds a 50 per cent stake, and the Ansett Transport group in Australia to record a return to profit growth in the first half to December.

The Australian-based international media group controlled by Mr Rupert Murdoch lifted net earnings 38 per cent to A$252.2m (US$189.6m) from A$183.2m in spite of an 8 per cent fall in revenues from A$5.7bn to A$5.3bn.

The interim dividend is maintained at 5 cents a share.

The result was achieved in spite of almost A$62.7m in equity-accounted losses compared with A$13.9m profits previously from BSkyB and Ansett and continuing asset sales.

But the directors said BSkyB should be in profit by the final quarter and improved results were expected from Ansett following the collapse of Australia's third domestic airline, Compass.

BSkyB, with more than 2m satellite dish customers in the UK, is expected to reach operational break-even next month. It is believed financing charges on the venture still account for around £3m ($5.4m) a week.

Proceeds from asset sales and cash raisings totalled A$1.5bn, with most going to debt repayments required under banking agreements. This helped reduce net interest payments in the half to A$497.3m from A$593m and depreciation charges eased to A$115.2m from A$152.7m.

The US-based Fox Broadcasting television operation saw gross television income jump to A$124.4m from A$10.7m, but newspapers remained the group's mainstay, lifting income to A$286.8m from A$255.2m.

All other business areas recorded lower gross income, with magazines down to A$104.9m from A$128.2m, films falling to A$67.7m from A$93.7m, book publishing off to A$156.7m from A$160.4m and other operations falling to A$106.4m from A$148.6m. On a geographic basis, the UK recorded the biggest gross income rise, up to A$173.9m from A$39.3m. This reflected improved margins on the company's five main newspapers.

The US remained the group's most profitable region even though its gross income contribution fell from A$571.5m to A$471.8m. Directors said US earnings were hit by the sale of nine consumer publications.

Lex, Page 15

Patrick Harverson on Merrill Lynch's efforts to shake off its wire-house image

Profits for the thundering herd

Merrill Lynch has an identity problem, although it may not seem a particularly pressing issue for a company that has just reported record profits of $696m for 1991.

Merrill has long been known as the king of the US wire houses, the Wall Street firms whose armies of brokers send by wire their customers' stock orders to the markets in New York. In recent years, however, the company has changed shape, a process which accelerated at the end of the 1980s as excessive costs and unfavourable market conditions led to losses and a rapid restructuring.

Merrill, known as the "thundering herd" on Wall Street, has emerged a hybrid, a one-stop financial services giant with a large presence in retail stockbroking, wholesale capital markets, institutional investment banking and asset management. The company, therefore, dislikes being categorised as merely a retail stockbroker. "We are always fighting our wire-house image," says chief executive Mr William Schreyer.

Merrill's strength as a wire house helped fuel last year's record earnings. Lower interest rates attracted investors to equities and lured companies into issuing billions of dollars of bonds and stocks. Merrill, the largest stockbroker and underwriter of debt and equity, reaped the benefits.

Merrill's wire-house strength also encouraged big growth in its asset management business, as the company's network of brokers persuaded stockbroking clients to hand their assets over to Merrill for management.

Mr Daniel Tully, Merrill's president, explained how the company forged new skills from old strengths: "We stopped asking, 'what do we have to sell?' and instead asked, 'what do our clients want to buy?'"

As a result Merrill now manages $485bn of client funds, making it the largest custodian of individual assets in the US.

Although expansion of the asset management business has been part of a plan to smooth the earnings stream by bolstering fee-based revenues, stockbroking remains the most important source of revenue.

Taking a 10-year view, the percentage of operating revenues accounted for by commissions has fallen sharply. In 1981 it was 42 per cent while last year it was down to 32 per cent.

Although earnings from principal transactions and investment banking grew during the decade, the biggest difference was in the amount Merrill made from looking after investors' money.

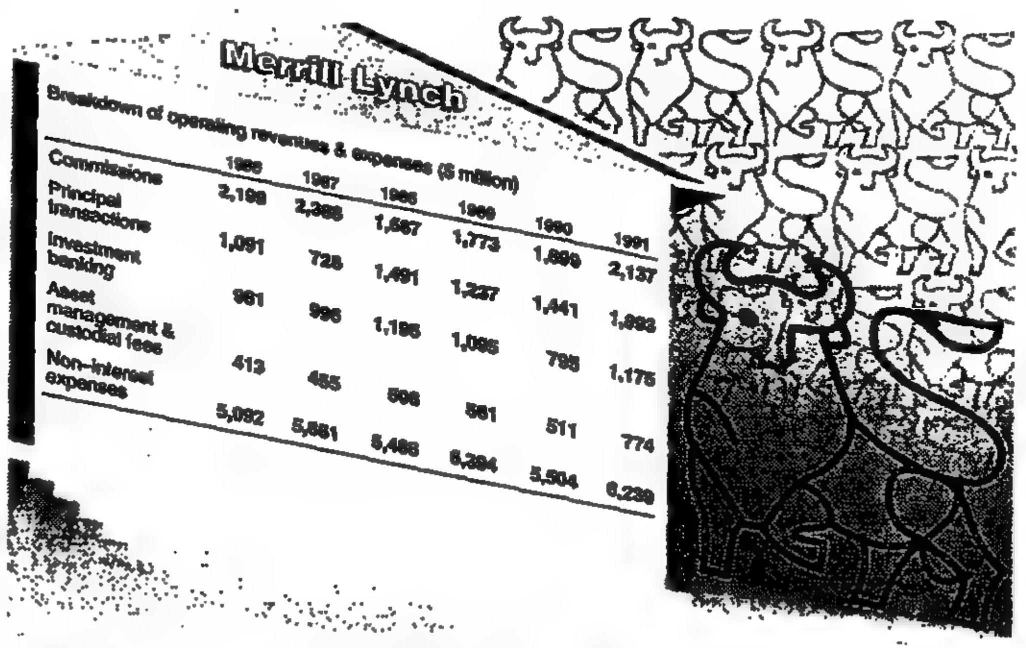
At the start of the 1980s, fees from asset management and custodial business were so small they did not get a mention in the annual report. Ten years later, they make up 12 per cent of operating revenues, bringing in income of $774m in 1991.

Estimates put Merrill's "recurring revenue" at between 25 per cent and 30 per cent of earnings. Yet Mr John Keefe, a brokerage analyst at Lipper Analytical, argues that Merrill is still a hostage to market cycles.

The difference between a good quarter and a bad quarter remains considerable – for example, $372m between the fourth quarter of 1990 and the second quarter of 1991. Of that gap, Mr Keefe says about $60m was accounted for by repeat revenues, while the remainder originated from trading, banking and broking commissions.

If Merrill is still largely a wire house, it is at least a slimmer wire house. During the 1980s Merrill over-expanded, and by the latter half of the decade the company was overmanned and its staff overpaid.

In 1989 the management adopted what Mr Schreyer terms a "lean and tough-minded" approach to cost management. Merrill took a charge, layers of management were eliminated, unprofitable lines of business were sold, and the workforce reduced from 47,000 to 38,000.



"In two years we took $400m out of our basic cost structure," boasted Mr Schreyer.

The effect on profitability was dramatic. In 1990, Merrill's return on equity was 6 per cent. By the end of 1991 it had risen to more than 20 per cent.

However, Merrill still has weaknesses. In investment banking the company is the biggest stock and bond underwriter, but it dominates the less profitable, bulk end of the business.

Its lack of an extensive network of established corporate contacts means Merrill has less of a presence in the businesses that pay higher fees, such as initial public offerings, and in the high-margin world of mergers and acquisitions. In 1991 it ranked fourth in the league table of top Wall Street M&A advisers.

A key problem is that in the eyes of many big US corporations, Merrill is still regarded as a retail broker lacking the wholesale investment banking experience and institutional reach of Morgan Stanley or First Boston. Hence Merrill's uneasiness with the "wire house" tag.

Mr Schreyer acknowledges the weaknesses, and says more time is needed to build up M&A. However, Merrill will not chase market share for the sake of becoming number one. "We have learned that you don't have to win all 10 events to win the decathlon," he said.

In spite of the turnaround in returns, the tighter controls on costs, and the record earnings, perceptions about the quality of the company's management have been slower to change.

Mr Schreyer and his deputy, Mr Tully, have endured criticism, mostly about the rise in costs during the 1980s.

In 1989, with Merrill knee-deep in red ink, such criticisms seemed valid. Today, however, Wall Street sings a different tune about the Schreyer-Tully partnership. Mr James Hanbury, analyst at Wertheim Schroder, says: "Yes, they were responsible for the blow-up of expenses and the disastrous results in the 1980s, but they're still there. You give them the blame for the crummy results, and the credit for the good ones."

What of the future? "We are the only firm in the world that does not have to compete with Merrill Lynch," says Mr Schreyer. His partner thinks there is room for expansion in the fee-based business, thanks to the greying of America and the demands of newly middle-aged baby boomers.

The company, however, still makes more money from stockbroking than from any other business. Given this reliance on market-related earnings, whether it can thrive during a prolonged market slump will be the real measure of the new Merrill.

Japanese fear further rulings on US camera patents

By Robert Thomson in Tokyo

LEADING Japanese camera makers are anxiously awaiting an approach from Honeywell, the US electronic control systems manufacturer awarded $96m last week by a US jury for alleged violation of its autofocus technology patents by Minolta of Japan.

Japanese industry officials said yesterday they were aware Honeywell intended to pursue actions against 15 other camera equipment makers, including Canon, Nikon, and Fuji Photo Film, which Honeywell alleges have infringed the patents.

The Japanese makers said they did not intend to halt exports to the US, although Honeywell said it would attempt to ban Minolta from marketing cameras containing the autofocus technology in the US.

The timing of the court's decision was seen by some Japanese as linked to the recent increase in US-Japan trade tension.

However, the camera makers said the long-running dispute with Honeywell involved a more fundamental principle of patent rights. "If a man invents an electric fan with three blades, does he also have a patent on a fan with five blades?" asked an official from Minolta.

Japanese makers, who are already being squeezed by sluggish camera sales, argue that they developed their own technology, in spite of an "advanced disclosure agreement" some of the companies entered into with Honeywell in the 1970s.

Ricoh, the office equipment and optical goods maker, said the issue was "very technical", and that it expected Honeywell would need time to prepare a claim taking into account the differences in equipment produced by the various Japanese companies.

A spokesman for Canon said: "We don't think we have been infringing, but we will take the necessary action if Honeywell contacts us."

Asahi Optical, the maker of Pentax cameras, said the company was gathering information in expectation of contact from Honeywell.

The size of the award surprised several companies, although the industry generally was relieved the US jury dismissed a charge that Minolta had wilfully violated the patents.

Minolta reckoned such a finding could have cost it as much as $500m, a heavy burden for a company that last October reported its first interim loss for 25 years.

Reuters beats weak markets with 6.3% increase in profits

By Andrew Bolger in London

REUTERS Holdings, the financial information and news company, reported a 6.3 per cent increase in annual pre-tax profits to £340.3m ($609.3m), in spite of continuing weak conditions in its traditional markets.

The number of employees fell by 475 to 10,335 and the group incurred rationalisation costs of £23.5m in Europe and North America. It also warned that further cuts might be necessary this year.

Mr Peter Job, managing director, said Reuters had experienced a big fall in new orders at the end of 1990, and had reacted by improving efficiency.

He added: "In the near term, market recovery is not in sight and we expect revenue growth to slow further in 1992, particularly since, in response to our customers' needs, we have generally avoided increasing prices."

Turnover rose 7.1 per cent to £1.47bn in the year to December 31, while earnings per share increased 10.5 per cent to 54.7p from 49.5p.

Strong cash flow increased net cash from £217.1m to £502.9m and interest income rose from £30.4m to £49.6m. Because of its strong balance sheet, Reuters increased the final dividend to 12.3p from 10.6p, raising the total by 13.3 per cent to 17p. The dividend cover falls from 3.29 to 3.21.

Reuters said the long-delayed second phase of Dealing 2000, its automated trading system which enables foreign exchange traders to complete transactions on-screen, had been successfully tested by 30 banks in London and New York. The group plans a formal launch within weeks.

Reuters had also satisfactorily tested Globex, which will provide screen-based trading of futures and options. Globex is being created jointly by Reuters with the Chicago Board of Trade and the Chicago Mercantile Exchange and is to be launched later this year.

Mr Job said Reuters had been under great pressure to provide more information about the group, and for the first time had broken down operating profits by geographical area, excluding the rationalisation provisions and central costs of £113.8m.

It said Europe contributed £305m, compared with £312m in 1990; Asia Pacific £124m, up from £110m; America a loss of £5m, compared with a loss of £8m. Visnews, its television agency, made £1m, against £4m.

Reuters shortened the depreciation period for its subscriber terminals from five years to four years, at a cost of £29m.

Lex, Page 18

Branson poised for Virgin Music deal

By Bronwen Maddox and Michael Skapinker in London and Alan Friedman in New York

MR RICHARD BRANSON is in advanced talks to sell all or part of his record publishing arm, Virgin Music Group, the world's largest independent record label.

He said last night: "We have had some considerable approaches at a level I wouldn't dismiss out of hand in the way I have done over the last 20 years."

Goldman Sachs, the US investment bank handling the valuation, have had discussions with several bidders this year including German publishing giant Bertelsmann, and Thorn EMI, the UK electronics and entertainment group.

Mr Branson said he would be more interested in an alliance "and it would be nice if it were a European company".

Mr Branson has been receiving suitors for the music group for nearly a year although he has denied a sale was imminent.

He is understood to have commissioned a preliminary valuation of the music group's library of rights last autumn. Talks began soon afterwards with Thorn EMI and the initial asking price is understood to have been around $1bn.

Mr Branson has had less contact with the music business in recent years, although he said last night he would not want to leave the business entirely. The change in his interests is understood to be one reason for the discussions. A second is believed to be his other businesses' long-term need for capital.

Mr Branson took the Virgin Group off the stock market in 1988. His airlines, retail, communications and music businesses are run separately.

Since then, the companies have needed an annual injection of some tens of millions of pounds, partly for investment in airlines and retailing. Mr Branson has sold minority stakes in the airlines, music and retail to a series of partners.

The music group is now 25 per cent owned by Fujisankei Communications, the Japanese group, which paid $150m in 1989.

In the last filed accounts, the music group's turnover in the year to July 1990 was £308.6m ($552.5m), of which £274m was recording, £30m music publishing and £5m the recording studios. It made an operating profit of £22.9m, £17.9m from the recording business.

Bertelsmann AG, whose New York-based music group had turnover last year of DM3.5bn ($2.2bn), confirmed last night talks had taken place.

CATCHING THE TIDE

In January 1991, Mercury launched its Global Bond Fund. Interest rates seemed poised to fall as world economies faltered and inflation eased. The outlook for government bonds appeared excellent.

The Fund's performance over its first year has confirmed this view. By 1st February 1992, the offer value of an investment made at the Fund's launch on 4th January 1991 had risen by 18.9%.*

Investors and their advisers are increasingly recognizing the important part bonds play in a well-structured portfolio. With further worldwide falls in interest rates and inflation expected during 1992, we believe that the case for bonds remains intact.

To find out more about Mercury Global Bond Fund, contact your financial adviser or telephone us on 071-280 2800.

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Burton chief executive takes £750,000 pay-off

By John Thornhill in London

MR Laurence Cooklin, who succeeded Sir Ralph Halpern as chief executive of Burton Group, is leaving the company after little more than a year in the post with a pay-off of £773,000 ($1.4m).

The company provided no official reason for his departure although analysts suggested that Mr Cooklin had not performed with sufficient vigour to impress Burton's non-executive directors.

Mr John Hoerner, a 52-year-old American who ran Debenhams department stores, took over as chief executive yesterday. His priority will be to address the strategy of Burton's struggling fashion multiples, such as Burton, Top Shop, Top Man and Dorothy Perkins, which many industry observers believe are unsuitable for the changed retailing climate of the 1990s.

Mr Cooklin, who had been on the Burton board for 12 years, was intimately linked with the Halpern era. His compensation package was reminiscent of Burton's extravagant years when its directors received substantial bonuses.

Sir Ralph Halpern received a £2m pay-off when he left the company in November 1990 and two other departing directors, Mr Paul Plant and Mr Michael Wood, received compensation packages of £600,000 and £350,000 respectively. Mr Cooklin is also entitled to unspecified bonus payments deferred from past years.

Burton's remaining executive directors have all been appointed since Sir Ralph's departure.

Ms Kimlan Cook, retail analyst at stockbrokers County NatWest, said Mr Cooklin had helped remedy some of the worst mistakes of the past. "But he failed to make the necessary radical changes to the fashion multiples," she said.

Verdict, the retail consultancy, is about to publish a study which shows that Burton steadily lost market share in the year to August. Mr Richard Hyman, Verdict's director, estimated that Burton's share of the £17.3bn UK clothing market had fallen from 9.5 per cent to 8.8 per cent.

"The significance of Burton's figures has to be placed in the context of a strategy that has seen them sacrificing margin to maintain volume. They have given away margin and lost market share," he said.

Mr Richard North, Burton's finance director, said Burton had since stemmed this loss of market share and was perhaps now regaining it.

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Puma out of red with DM11m before tax

By Andrew Fisher in Frankfurt

PUMA, the German sports shoe and equipment company owned by Aritmos of Sweden, has finally broken into profit. Its return to the black for 1991 follows several difficult years of stiff competition in the US market and production hold-ups in Asia.

The company made a group profit of around DM11m ($7m) before tax and restructuring costs. Mr Stefan Jacobsson, chief executive, said the move out of 1990's loss of DM9.4m made it clear the group was now on an upward trend. This would strengthen this year as the group came out with new products.

Puma had already foreshadowed a return to profit, despite having hopes of an end to its Far Eastern losses dashed by regional troubles in 1991. These stemmed from the organisational difficulties of shifting production to low-cost Indonesia, and a fire in the Philippines factory.

Formerly owned by members of the Dassler family, Puma slipped into loss in 1986, the year its preference shares were sold to the public. It has suffered from the success in the US of rivals such as Reebok and Nike and has since improved its management structure, marketing, and distribution.

BZW forced to scrap report on accounting proposals

By Richard Waters in London

BARCLAYS de Zoete Wedd, the investment banking arm of Barclays, yesterday announced it was scrapping a controversial research report, after leaks of its conclusions had hit the share prices of the companies concerned.

The move by the broker follows strong complaints from some of the companies concerned, who accused it of being inaccurate and misleading.

BZW said: "Some comments in that report were capable of misunderstanding; this, and as a result [of] certain press comment, may have given rise to an inaccurate perception of the financial position of these companies."

The report, a draft of which is believed to have been sent to a number of investment institutions, and which attracted press comment at the end of last week, concerned the likely effects of accounting changes proposed by the Accounting Standards Board on the published figures of five companies: Fisons, P&O, Cable & Wireless, Ladbroke, and British Airways.

At least three of these companies – Fisons, Cable & Wireless and British Airways – said yesterday the BZW draft had contained inaccuracies.

"We were in touch with BZW, and pointed out inaccuracies in their statement and examples which were open to misinterpretation," BA said. Cable & Wireless added: "We considered that the information that was coming out was misleading. On the basis of what we saw, we made representations to them [BZW]."

The BZW paper is believed to have redrafted the five companies' accounts as they would look under sweeping changes proposed to UK accounting by the ASB. The resulting earnings per share, balance sheet gearing, or both would have deteriorated in each case, the broker is believed to have said.

Mr Bill Smith, head of UK research at BZW, said early press comment on the report had been wrong. "It was not a position we wanted to see continue, and this was the best way of dealing with it."

Mr David Tweedie, ASB chairman, said redrafting published accounts to the board's new formats should not have had any impact on the companies' share price, since it simply involved looking at existing information in a new way.

Microsoft faces claim for $4.36bn from Apple

By Louise Kehoe in San Francisco

MICROSOFT, the leading software supplier, said Apple Computer was seeking potentially crippling damages of $4.36bn in the long-running software copyright infringement dispute between the US companies.

The outcome of the legal battle could have a profound impact upon the personal computer industry in which Microsoft is the leading software supplier.

Microsoft charged Apple's claim was "insupportable and speculative". The company denied infringing Apple copyrights and noted the court had yet to rule on infringement.

Apple filed its copyright infringement suit against Microsoft and Hewlett-Packard, the computer systems group, in 1988. It claimed an early version of Microsoft's Windows program produces computer screen displays copied from Apple Macintosh displays.

Microsoft has since sold over 9m copies of the latest version of Windows, introduced 10 months ago, which provides IBM-compatible personal computers with ease-of-use graphical interface features, previously unique to Apple Macintosh personal computers.

"These Windows products were not copied; they resulted from years of hard work by dedicated Microsoft employees," said Mr William H. Neukom, Microsoft's vice-president, Law and Corporate Affairs.

On Friday, Microsoft will file a motion for summary judgment, asking the court to dismiss Apple's remaining claims. It will also ask the court to apply its earlier rulings to the latest version of Windows.

Apple, however, said it was "increasingly confident" its infringement claims will be upheld and said it expected the case to go to a jury trial this summer.

Apple also contends that Microsoft's lawyers have misinterpreted the damages estimate which was obtained by Microsoft in the course of pre-trial discovery proceedings.

Whatever the outcome of the dispute, Apple has been acutely embarrassed by Microsoft's public statements. Previously, Apple executives have tried to play down the impact of Windows on the company's sales.

The evidence published by Microsoft suggests Apple lost over $3bn in profits as a direct result of Microsoft's launch of Windows. The balance of Apple's estimated damages is based upon Microsoft's revenues from sales of Windows and related products.

Hewlett-Packard, also named in the suit, has had only limited success with its NewWave program and Apple's claims against the company are expected to be much smaller. It also denies infringement.

Cut in interest charges helps lift Iberdrola

By Peter Bruce in Madrid

IBERDROLA, Spain's biggest private sector electricity utility, reports a 31.2 per cent increase in pre-tax profits for 1991, to Pta87.6bn ($876m). It follows a sharp cut in interest charges, down nearly 6 per cent to Pta199bn.

In its first result since the merger last year of the country's two leading private utilities, Iberduero and Hidrola, Iberdrola said it had finished the year in better shape than it had expected.

Cutting interest payments has become critical for Spain's heavily-borrowed utilities, as they are about to begin a series of generating plant investments to fulfil government energy requirement forecasts for the end of the century.

Iberdrola reported income of Pta787bn, up some Pta66bn from 1990. It said it had improved the quality of its profits by cutting deferred costs by Pta5.1bn to Pta18.5bn; capitalising some Pta10bn worth of debt in mothballed nuclear plant; and by raising provisions by Pta11bn.

Grupo Ibercorp seeks buyers for offshoots

By Tom Burns in Madrid

GRUPO IBERCORP, a Spanish financial services group, is negotiating buyers for its banking offshoot and for its broking business.

The group is seeking to sell some 30 per cent of its bank, Banco Ibercorp, to Banque D'Arjil, a French banking business. It hopes to merge its broking arm with a fellow member of the Madrid Stock Exchange.

The search for partners or possible new owners for both enterprises illustrates the extent of the squeeze on margins facing smaller financial institutions in Spain.

Ibercorp's broking arm has been hit by the end to fixed broking commissions on the Madrid Stock Exchange. With most of the broking business now in the hands of the big Spanish banks, the operating margins of independent brokers have weakened significantly.

Yesterday's developments came amid an allegation by the Madrid newspaper, El Mundo, of possible fraud by Ibercorp's co-chairman, Mr Manuel de la Concha, a former head of the Madrid Stock Exchange.

Mr de la Concha last night denied the allegations and said he was taking legal action against El Mundo.

According to El Mundo, Mr de la Concha falsified the names of a list of shareholders in 1990, which was subsequently submitted to the stock market regulatory commission following the its enquiries into the purchase of Ibercorp shares.

Mr de la Concha said buyers of the shares were identified to the commission at the time. Yesterday the Bank of Spain had no comment on the report.

Created in the early 1980s, the Ibercorp group was one of the first operations to be set up in Spain independently of the big banks to concentrate on asset management.

Known popularly as the "beautiful people's bank", it was backed by high net worth individuals and top socialites, some of whom were closely connected to senior members of the governing socialist party.

Shares in Baltic bank suspended

SHARES in Hasle Bank, a small bank serving the Danish Baltic island of Bornholm, were suspended yesterday after the Finance Supervisors examined its accounts, writes Hilary Barnes in Copenhagen. The bank has asked Bikuben, Denmark's third largest bank, to take it over.

On Monday, the supervisors forced another of the island's banks, Bornholmerbanken, into bankruptcy. Its assets were immediately acquired by Bikuben.

Mr Knud B. Larsen, who runs the island's co-operative grain and fodder company, has criticised the action.

Metals group begins flotations

By Andrew Fisher

German mining and industrial group, plans shortly to float off 20 per cent of the shares in Buderus, one of the companies it bought from Feldmühle Nobel. It is considering two other such stock market moves this year.

Analysts estimate the three deals could raise around DM500m ($312m). Metallgesellschaft has said it intends to float a minority of the shares in Lurgi-Umwelt, its environmental engineering unit. Also under consideration is the flotation of a minority in Dynamit Nobel, also bought from Feldmühle.

Mr Heinz Schimmelbusch, Metallgesellschaft's chief executive, said Buderus, whose activities include building materials, heating and kitchen equipment, and stainless steel goods, made record profits in 1991.

As well as Dynamit Nobel (explosives and plastics), the DM1.45bn purchase from Feldmühle included Cerasiv (industrial ceramics).

Part of Buderus's investment plans involve a plant in Gera, east Germany, to help meet demand for heating equipment. Mr Schimmelbusch did not say how much the capital increase would raise. Metallgesellschaft will retain 80 per cent of the shares.

The group has followed a policy of floating off minority stakes in important industrial and mining activities.

One quoted subsidiary is Kolbenschmidt, the motor components maker whose profits slumped last year. Mr Schimmelbusch said some of Kolbenschmidt's piston production would be transferred from Germany to lower-cost France and Brazil to improve profitability.

Kolbenschmidt's poor performance was one reason for the group's sharp drop in profits last year; others were low non-ferrous metals prices and start-up costs of new smelters. Mr Schimmelbusch, however, expects a turnround this year.

Ilva sells steel can subsidiary

By Haig Simonian in Milan

ILVA, the Italian state-owned steelmaker, has sold its subsidiary, Capolo Gestioni Industriali, to a group of investors in one of the country's biggest leveraged buy-outs.

Separately, Capolo is merging with Carlo Secchi, a company specialising in lithography on steel, which is a key step in printing on steel strip used for cans.

Capolo is Italy's second biggest producer of steel cans for the food industry and general packaging, with turnover of around L194bn ($162.61m) last year. Together, the combined group will have sales of around L225bn a year.

The transaction is a further step in Italy's privatisation programme. It may also reflect the drive by Ilva, which is one of the government's main candidates for partial privatisation, to reduce debt and produce a profit for 1991.

Italian stock market rules require a company to show three straight years of profits before an initial public share offering can be made. Although Ilva had strong earnings in 1989 and 1990, last year was much tougher, and the company has been making a number of disposals to boost its extraordinary earnings.

The deal was organised by LBO Italia, the Italian arm of the big LBO France group, with Akros, the Milan merchant bank, advising the vendors.

The majority shareholder in the privatised Capolo is Europe Capital Partners, a big LBO fund. Meanwhile, Ilva will retain a stake of around 18 per cent in the new company.

Sales at Ascom climb to SFr3bn

ASCOM, the Swiss telecommunications and automation equipment maker, said sales rose 3 per cent last year to SFr3.05bn ($2.1bn), writes Ian Rodger from Zurich. Orders were flat at SFr2.8bn.

● Rieter, the textile machinery group, said it would report a small profit for 1991, despite difficult market conditions.

Revenue rises at Alitalia

ALITALIA, Italy's state-owned national airline, reported a 7 per cent rise in revenue to almost L6,000bn ($5bn) last year, despite the effect on business of the Gulf war, writes Haig Simonian.

Mr Giovanni Bisignani, Alitalia's managing director, said earnings had recovered in the second half of last year, with operating profits of around L80bn in July to December. The airline carried around 8.5m in the second half against a 18.2m for all of 1991. The second-half improvement may attenuate what is expected to be a heavy loss in 1991. At group level, Alitalia lost L123bn in the first half of 1991.

Mr Bisignani said the company was committed to its fleet renewal programme.

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Phone: +44-(0)71-638 3500

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.07	17.25	17.25
0100	17.12	18.51	21.58
0130	17.13	19.86	22.04
0200	17.13	19.86	22.03
0230	17.08	19.86	22.02
0300	17.08	19.86	22.02
0330	17.07	17.25	17.25
0400	17.06	17.19	17.19
0430	17.05	17.17	17.17
0500	17.05	17.17	17.17
0530	17.06	17.17	17.17
0600	17.06	17.17	17.17
0630	17.05	17.17	17.17
0700	17.12	17.25	17.25
0730	19.34	19.94	22.01
0800	19.00	20.11	22.20
0830	19.37	20.64	22.75
0900	19.38	20.65	22.79
0930	32.33	21.62	23.78
1000	32.33	26.57	28.89
1030	32.33	26.57	28.88
1100	32.33	20.09	22.19
1130	32.33	20.44	22.56
1200	19.38	21.61	23.78
1230	32.33	21.58	23.74
1300	32.33	21.17	23.29
1330	19.34	21.14	23.24
1400	17.96	17.96	17.96
1430	17.54	17.70	17.70
1500	17.14	17.65	17.65
1530	17.97	17.58	17.58
1600	17.97	17.70	17.70
1630	17.56	23.73	25.69
1700	21.73	52.05	60.69
1730	24.32	56.79	67.65
1800	24.76	57.22	66.60
1830	24.09	37.13	41.39
1900	21.51	23.25	25.67
1930	20.56	22.59	24.75
2000	19.65	22.38	24.50
2030	19.65	20.10	22.16
2100	18.06	19.77	21.82
2130	17.98	19.59	21.64
2200	17.11	19.59	21.64
2230	17.08	19.59	21.64
2300	17.07	17.19	17.19
2330	17.03	17.16	17.16
2400	17.03	17.15	17.15

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £10.66/MWh becomes 1.066p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

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US insurers warn on weak economy

By Nikki Tait in New York

TWO of the largest US composite insurers yesterday renewed warnings about the depressed state of the domestic property market and the impact of this on the sector, although both pointed to the benefits of earlier cost-cutting measures on underlying operations.

Travelers, the Hartford-based multi-line insurer, unveiled an after-tax profit of $317.8m for the year, against its loss of $178.4m in the previous 12 months. The improvement stemmed from a turnround on the realised investment gain/loss front. In 1990, Travelers made a $650m pre-tax addition to reserves to cover souring real estate investments and mortgage loans, causing it to register a net realised investment loss of $566m. Last year, there was a net realised investment gain of $1m, plus a further $10.4m tax credit – although the company did add a further $103m pre-tax to reserves due to the real estate situation, of which $56m fell in the final quarter.

Commenting on the figures, Travelers warned "weakness in the economy continues to delay any meaningful improvement in the real estate markets", but it claimed to have established "substantial reserves in anticipation of the environment we foresee". Write-offs during the year on the property front totalled $270m, taking the real estate reserve balance at the end of the year to $909m, against over $1bn a year ago.

Travelers' net income before investment gains/losses was actually lower in 1991, at $306m, against $388m. Again, real estate took its toll, with "underperforming" mortgage loans depressing investment income. However, it reported an improvement in underlying property-casualty operations, where it claimed earlier restructuring moves had improved the cost structure. Its shares rose ⅞ to $23.

At Aetna Life & Casualty, net profits fell from $614m in 1990 to $505m last year. Again, the difference is largely explained by investment gains/losses and the depressed state of the property market. Its shares rose $2 to $45⅝.

Aetna's 1991 figures are scored after net realised capital losses of $186m – which included a $357m after-tax addition to reserves for potential mortgage loan and real estate write-downs. In 1990, net realised capital losses were $82m, with a $163m addition to reserves for property-related investments. The 1991 fourth-quarter addition to reserves for real estate investments was $154m, against $102m in the same period last year, prompting a net realised capital loss in this period alone of $116m, against a loss of $95m.

"Our views about the depth, geographic breadth and during of problems in these markets became more pessimistic late in the year," said Mr James Lynn, Aetna's chairman. "It is still very difficult to assess what will be happening to the economy and commercial real estate markets and, in turn, the effect on our portfolios." He added the total mortgage loan reserve balances and real estate write-downs stand at over $1.2bn.

Without the net capital losses, he added, results for 1991 were "very close" to 1990. Like Travelers, Aetna pointed to the benefits of reorganisation, and noted the commercial property-casualty operations contributed to earnings despite the "difficult environment".

Fujitsu and NEC warn of sharp profits fall

By Steven Butler in Tokyo

FUJITSU and NEC, two of Japan's leading computer companies, yesterday warned that profits in the year to end-March would fall sharply as a result of weakness in the markets for computers and computer components, including semi-conductor chips.

Fujitsu said yesterday that parent company pre-tax profits were expected to plunge by 60 per cent to Y50bn ($394.9m), while consolidated pre-tax profits could be down by as much as 80 per cent to Y30bn.

NEC's parent company pre-tax earnings are likely to be off by 30 per cent to Y100m, while consolidated results could be down by 45 per cent to Y170bn, the company said.

The cuts in profits are a reminder that Japanese companies are not immune to the worldwide slump in the computer industry. IBM, the world's biggest computer company, is expected to report the first loss in the company's history in 1991.

Both companies had earlier warned that profits would be down in the current fiscal year, but have had to revise estimates further in the light of unexpectedly weak markets.

The two companies have been hit hard by the plunge in prices of 4 Megabit dynamic random access memory chips, the latest generation of high-capacity computer memory chips. The experience has underscored the huge risks that Japanese semiconductor manufacturers have assumed in their race to stay at the cutting edge of technology in memory devices.

Both companies have already moved to cut capital spending, although they said yesterday they were still considering plans for the next fiscal year.

Fujitsu said that ICL, the British computer company which it acquired about a year ago, would not be affected by any spending cuts.

Scitex shrugs off difficulties with 31% improvement

By Hugh Carnegy in Jerusalem

SCITEX, the Israeli maker of electronic pre-press systems, yesterday reported a 31 per cent increase in net profits in 1991 to $100.6m, dodging both the worst effects of recession in the US and Europe, its main markets, and the collapse of the Robert Maxwell empire with which it was associated.

The profit rise was much less spectacular than the more than 100 per cent increase of the two previous years, but Scitex executives were far from disappointed, given the circumstances.

Mr Maxwell was chairman and controlled 15 per cent of Scitex until little more than a month before his death when he sold out. It subsequently emerged the shares were owned by Maxwell pension funds, not the private Robert Maxwell Group as previously thought, but proceeds from the sale worth £107m ($192.6m) had gone to the Robert Maxwell Group instead of the pension funds.

"He never had much impact on the running of our business, even as chairman," Mr Giora Bitan, Scitex's chief financial officer, said yesterday.

"But to have had a substantial portion of our shares in the hands of the Maxwell receivers is not something we would have liked."

Mr Bitan said the quick productive returns Scitex equipment offered printers and publishers had bolstered demand, despite the recession. Sales and service revenue rose 22 per cent from $351.5m in 1990 to $430.2m in 1991.

He said the outlook for 1992 was "not easy, and said the company was increasingly targetting the growing "mid-range" market where small print houses were switching from black and white to colour reproduction.

Mr Bitan said this sector was aimed to grow from about 5 per cent of sales last year to 15 per cent in 1993.

Scitex costs moved up last year to $165m from $135m in 1990. Net R&D expenses were $26.9m, compared with $22m. Earning per share were $2.70 with a total dividend for the year of $0.40 per share.

Gencor criticised over terms of issue

By Kenneth Gooding
Mining Correspondent

GENCOR, the South African mining and industrial group, is facing complaints that its R2bn ($740.7m) rights issue is unfair to UK shareholders.

The terms which have been offered to UK shareholders, who account for about 3 per cent of Gencor's issued capital, are very unusual because they are at a fixed sterling price of 172p a share.

All other shareholders must pay in rand.

Analysts can remember only one other similar offer, by Goldfields of South Africa two years ago.

Complaints have been made because, since Gencor fixed the terms, the financial rand has fallen from 5.84 to the pound to 6.3 and virtually wiped out the value of the "nil paid" rights to UK shareholders.

In contrast, South African registered, non-resident shareholders, have rights which are worth about 23p a share.

Gencor's broker, Smith New Court, said a previous Gencor R1.5bn rights issue in July 1989, met a very bad response from UK shareholders who lost money by allowing their rights to lapse.

Irate shareholders subsequently told Gencor it had been difficult to obtain financial rands from UK clearing banks.

"Gencor had many requests to do subsequent rights issues in sterling. We knew it was risky but we tried to help. This has been done with the best intentions.

"Currencies can move back and the closing date is not until February 28," said a Smith New Court official.

Mr Michael Coulson, analyst at Durlacher West, commented: "Gencor has successfully been building a good image with the London financial community over the past two years. This could put a dent in that process."

He pointed out that another South African company, Tiger Oats, in a current rights issue which also has Smith New Court as broker, hopes to solve the problem in a different way – by pointing small UK shareholders in the direction of Nedbank for their financial rands.

Campbell Soup profits improve 19% to $160.6m

By Nikki Tait in New York

CAMPBELL SOUP, the large US food group, announced a 19 per cent improvement in after-tax earnings to $160.6m for the three months to January 26 following profit improvements in its core North American operations.

In the same period a year earlier, the second quarter of Campbell's financial year, the company made a net $135.3m.

Campbell's total sales declined by 1 per cent, to $1.75bn, while earnings per share increased in line with net profits to 64 cents.

The company said operating profits from North America were up by 18 per cent to $261.1m, with sales from continuing businesses rising by 3 per cent. Soup volumes improved by 6 per cent, helped partly by the acquisition of a noodle manufacturer and some new lines.

In the biscuit and bakery division, operating profits declined by 5 per cent to $24.9m, while marketing expenditure increased in a fiercely competitive sector.

At Campbell International, profits were flat at $14.2m, although operating margins improved.

Overall, Campbell operating profits in the second quarter were 15 per cent higher at $300.2m.

At the half-way stage, earnings advanced to $289.8m from $240.4m last time on sales down at $3.29bn, against $3.37bn.

In early trading, Campbell shares rose $¼ to $38⅝ on the news.

ITT posts 14.7% decline in earnings

By Alan Friedman in New York

ITT, the US conglomerate, blamed the extended worldwide recession and the strength of the US dollar for a 14.7 per cent drop in its 1991 net earnings to $817m, or $6.05 a share.

The New York-based group recorded a 1 per cent decline in 1991 revenues, to $20.4bn. However, it said its operating income and financial strength were sufficient to permit an increase in the annual dividend, from $1.72 to $1.84 a share.

Net income in the fourth quarter of 1991 was $195m, or $1.44 a share, more than double the $84m, or 65 cents, earned in the last quarter of 1990. But the 1991 fourth quarter included after-tax portfolio gains totalling $79m at the ITT Hartford insurance group and ITT financial division. Fourth-quarter revenues fell by 2 per cent, to $5.35bn.

ITT said three of its four service businesses improved their operating earnings in 1991. These were the Hartford insurance group, the ITT communications and information services division and the ITT financial arm.

The ITT Sheraton hotel business suffered lower earnings as a result of lower occupancy rates, which reflected reduced travel in the US and the impact of recession.

Federal Express considers restructuring

By Nikki Tait

FEDERAL Express, the Memphis-based express package delivery company, has confirmed market suspicions that it is actively looking to restructure its international operations, although it would not speculate on when any decisions might be reached.

The company released a formal statement saying it had been considering options aimed at reducing its losses overseas. It said these could include restructurings as well as co-operative or other business arrangements with third parties. Preliminary talks had been held with outside parties, it added, but the company stressed the examination of options was "at this stage, exploratory only".

It said, "No conclusions have been reached with respect to any courses of action the company may take, nor have there been any agreements with third parties."

The bulk of Federal Express's problems overseas have come in Europe. Last spring, the company took a $121m charge against earnings to cover workforce and other cuts in the UK and a large part of its British operation has been sold back to Littlewoods, the privately-owned UK retailer.

In the second quarter of its current financial year – to end-November – Federal Express still reported operating losses of $64.5m, up from $54.7m a year earlier and said it was "disgusted" with the performance.

Wooltru down on decline in consumer spending

By Philip Gawith in Johannesburg

A SHARP fall in consumer spending caused a 28 per cent fall in earnings at Wooltru, one of South Africa's premier consumer-based retailers, in the 26 weeks to December.

Mr David Susman, chairman, described the trading period as the "most difficult for many years." He noted clothing, footwear and textile sales showed showed a real decrease of 3.5 per cent, while food volumes were 13.5 per cent down on a year earlier.

The results are the first from a blue-chip retailer for the second half of 1991, and are considerably worse than other market leaders which reported towards the end of last year. They confirm that consumer spending dropped off sharply last year, South Africa's long-running recession having initially been restricted more to the capital goods sectors.

Although turnover rose by 17 per cent to R1.98bn ($77m), net income before tax declined by 28 per cent to R106.7m. Net income was 31 per cent lower at R57.3m and earnings per share were 28 per cent down at 164.5 cents.

Commenting on the results, Mr Susman said budgets and buying plans set early in 1991 were too optimistic and, faced with excess stock, drastic markdowns were forced on the group. Hardest hit was Makro, the wholesale arm of the group, where an aggressive store development programme led to a 61 per cent drop in pre-tax profit.

Woolworths, the upmarket food and clothing flagship of the group, had a disappointing performance with pre-tax profit down 55 per cent. This was due to weaknesses in textile procurement, marketing and management controls.

The board said the fall in profits in the second half should be less severe. The dividend was maintained at 77 cents per share.

Coca-Cola Enterprises registers loss of $82.4m

By Nikki Tait

COCA-COLA Enterprises, the largest bottler for the US soft drinks company, yesterday reported a $82.4m loss after tax for 1991, compared with a profit of $93.4m a year earlier.

However, the damage came largely in the fourth quarter, when CCE suffered a net loss of $125m, compared with a $11.1m profit a year earlier, after taking a $152m restructuring charge.

CCE, in which Coca-Cola has a large minority stake, said that the charge covered a range of organisational changes.

These ranged from standardising computer systems to severance and relocation costs resulting from corporate "decentralisation".

The figures do not include any results for Johnston Coca-Cola Bottling Group, the oldest and biggest of Coca-Cola independent bottlers which CCE acquired via a share swop deal in December – part of a general consolidation trend in soft drinks group's bottling operations.

Yesterday, CCE said cash operating profits should show a "healthy increase" in 1992, but increased interest and amortisation costs related to the Johnston deal would prevent this year's earnings per share surpassing 1991's, once non-recurring items were stripped out.

Fisher-Price rises to $4m in second quarter

By Karen Zagor
in New York

FISHER-PRICE, one of the world's biggest marketers of pre-school toys, yesterday posted second quarter earnings of $4m, or 26 cents a share.

The company, spun-off from Quaker Oats last June, recorded a net deficit of $29.2m in the 1990 second quarter. Revenues were virtually unchanged at $185m, compared with $184.6m.

Part of the improvement came from lower advertising and merchandising expenses, which dropped to $27.7m in the 1991 second quarter from $43.4m last time.

Selling, general and administrative expenses were cut to $42.9m from $54.7m.

The New York-based company said last year's figures do not necessarily reflect the results had Fisher-Price been operating as a stand-alone entity.

For the six months, net income was $12.2m, or 80 cents a share, on revenues of $373m, against a net loss of $38.7m on revenues of $339.4m.

On Wall Street, the shares eased $1⅝ to $37¼ at mid-session yesterday.

During the first half, domestic revenues climbed 26 per cent to $266.1m, but international revenues tumbled 17 per cent to $106.9m.

Foreign currency translations accounted for $7.4m of the $23.1m decline.

Mr Ronald Jackson, chairman and chief executive, said: "We view the international business as a growth opportunity, even though we didn't make as much progress as we had hoped in 1991."

Citizen Watch in German expansion

By Robert Thomson
in Tokyo

CITIZEN Watch, the Japanese precision equipment-maker, has agreed to acquire a medium-sized German machine tool company, G. Boley, as part of a strategy to expand its European manufacturing operations and to reduce its dependence on watch production.

The DM13m ($8.6m) purchase is the first foreign acquisition by Citizen, which is attempting to expand its office automation equipment and machine tool businesses, and was attracted by G. Boley's expertise in the manufacture of numerically-controlled lathes.

Japanese companies see the acquisition of small and medium-sized European manufacturers as an important means of establishing a base in the region without prompting controversy over Japanese investment.

G. Boley, based in Esslingen, has a capital of DM5.1m, sales last year of DM30m, and 130 staff. The agreement between the two companies provides for the Boley name to be retained, though the German company will be wholly-owned by Citizen Machinery Europe.

The Japanese company said the purchase would improve its European development and marketing of lathes, and that G. Boley, founded in 1870, would be contracted to produce small lathes for Citizen, while continuing to make its present lines under the Boley brand.

Watches still account for about 51 per cent of Citizen's sales, but revenues have been under pressure because of recession in the US and Europe, and because of a general decline in watch prices.

Record sales at largest US tool manufacturer

By Andrew Baxter

GIDDINGS & LEWIS, the largest US machine tool manufacturer, yesterday reported its highest sales and earnings since it went public in 1989, due to continued strong demand for its industrial automation systems.

G&L, which took over its struggling rival Cross & Trecker late last year, raised operating net earnings from $18.4m, or $1.73 a share, in 1990 to $21.3m, or $1.84, last year. The figures include Cross & Trecker from October 31, but exclude tax credits of 6 cents and 12 cents a share in 1991 and 1990 respectively.

Fourth-quarter operating net earnings rose from $4.75m to $6.3m, but earnings per share fell from 45 to 43 cents on increased shares outstanding. Revenues jumped from $66m to $131.1m for the quarter, and from $243m to $326.6m for the year.

The company reported record bookings of $208.7m in the fourth quarter, up from $70.9m a year earlier. Mr William Fife, chairman and chief executive, said quotations for new equipment had picked up significantly since the acquisition.

The deal turned Giddings & Lewis into the world's fourth biggest machine tool producer, and was aimed partly at expanding the company's presence in continental Europe where C&T was stronger. Mr Fife said about 35 per cent of fourth-quarter bookings were from Europe.

He added that Giddings & Lewis was ahead of schedule in bringing all parts of the acquired company under one umbrella.

On Tuesday, Cincinnati Milacron, another large US machine tool producer, reported a return to profit in the fourth quarter but a $100.2m net loss for the year.

Mr Daniel Mayer, Milacron's chairman, predicted that 1992 would be profitable, thanks to lower costs, new products and a sizeable backlog, although he expected a slow first quarter.

Canada's C$5.2bn Hibernian oil projects delayed for a year

By Robert Gibbens in Montreal

THE start-up of Canada's C$5.2bn (US$4.4bn) Hibernia offshore oil project's has been delayed by at least one year to November 1997, says Mr Jake Epp, federal energy minister

The federal and Newfoundland governments are urgently trying to find investors to take over the 25 per cent interest held by Gulf Canada, the upstream energy company controlled by the Reichmann brothers of Toronto, which said it was quitting Hibernia last week.

"We are looking at all options and new tax incentives to attract new partners, even smaller companies," said Mr Epp. He said no potential investors have come forward.

About C$2bn of construction and equipment contracts have been awarded for Hibernia, located nearly 200 miles east of St John's, Newfoundland, and a further $500m were due this spring. These contracts may be delayed and mothballing of the project cannot be ruled out.

Under a 1990 agreement, Gulf has 243 days to find a buyer for its 25 per cent interest or the other partners, Petro-Canada (25 per cent), Mobil (28%) and Chevron (22%) must buy Gulf out *pro rata*.

Analysts estimate Gulf's investment is worth about C$200m. The federal government is committed to C$2.7bn.

India enters the race for cable networks

Companies seek a toe-hold in a new industry writes **Gita Piramal**

A NEW business has hit India and it has incredible potential: electronic entertainment.

So now some of the country's biggest business houses are trying frantically to acquire toe-holds in this field which has so far been dominated by small-time operators working on shoe-string budgets.

Over the past few weeks, the powerful Hinduja group, as well as newspaper barons such as Mrs Shobhana Bhartia of the Hindustan Times group and Mr Samir Jain of the Times of India group, have been buying up small cable operations in almost every big city.

Their strategy is to create unified cable networks across the country.

The race for cable networks is hottest in Bombay.

Currently, there are at least 6,000 cable operators in the city with 20 new ones starting up each day.

A study by the Independent Operations Research group estimates that more than 90,000 people in Bombay watch cable television.

The programmes these entrepreneurial operators broadcast are generally in English, and largely pirated.

Despite periodic crackdowns by the police, the cable companies continue to flourish, providing stiff competition to Doordarshan, the government-controlled television.

Ironically, the latest victim of this rampant piracy is Hong Kong-based Star TV which virtually created the electronic entertainment boom when it started beaming its five-channel satellite broadcasts to India last August.

Indian cable operators, always starved of software, have been taping Star TV programmes and broadcasting them illegally.

With big business moving into this field, however, there are bound to be sweeping changes. The government is already working on legislation to regulate cable networks.

A new law is expected to be introduced in the up-coming budget session of parliament.

Meanwhile, new software companies are mushrooming, hoping that when the big business houses have finished buying up the midget cable operators, there will be a big market for locally produced programmes in various Indian languages.

At the same time, advertising companies are keeping a watchful eye on events.

The government's new guidelines will enable the monitoring of accurate viewership patterns.

In a city such as Bombay, with a 10m-strong population, cable companies offer the most cost-effective route to consumer advertising.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Latest prices at 6:10 pm on February 12

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¼	107	-⅛	6.34
ALBERTA PROVINCE 9 3/8 95	600	108½	109¼	-⅛	6.58
AUSTRIA 8 1/2 00	400	105¾	106¼		7.49
BANK OF TOKYO 8 3/8 96	100	104½	105¼	+⅛	7.04
BELGIUM 9 5/8 98	250	110¾	111¼	+⅛	7.42
BFCE 7 3/4 97	150	103¼	103¾	+⅛	6.96
BMP 8 5/8 94	300	106¼	106¾		5.76
BRITISH GAS 8 3/8 99	350	104¼	105¼	-⅛	7.52
CANADA 9 96	1000	108½	109¼	-⅛	6.50
CARGO 9 1/4 96	650	101½	102¼	-1¼	8.80
CCCE 9 1/4 95	300	108¼	109		6.07
COUNCIL EUROPE 8 96	100	104¼	104¾		6.82
CREDIT FONCIER 9 1/2 99	300	110½	111	-⅛	7.50
DENMARK 8 1/4 96	150	105¼	105¾		5.86
DENMARK 9 1/4 95	1571	108¼	108¾		6.11
ECSC 8 1/4 96	193	105¼	106		6.83
EEC 8 1/4 96	100	105¼	105¾	-⅛	6.80
EIB 7 3/4 96	250	103¾	104¼	-⅛	6.72
EIB 9 1/4 97	1000	109¾	110¼	-⅛	7.11
ELEC DE FRANCE 9 98	200	108½	108¾		7.29
EURO CRED CARD TST 9 94	325	104¼	105¼		7.17
EUROFIMA 9 1/4 96	100	107¾	108¼	-⅛	6.96
EXPORT DEV CORP 9 1/2 98	150	110¼	110¾	-⅛	7.37
FINLAND 7 7/8 97	200	102½	103¼	-⅛	7.25
FINNISH EXPORT 9 3/8 95	200	108½	109		6.65
FORD CAPITAL 9 3/4 97	250	106¼	107¼	+⅛	8.14
GEN ELEC CAPITAL 9 3/8 96	300	108¼	108¾		7.04
GMAC 9 1/8 96	300	104¼	104¾	-⅛	7.82
GUINNESS FINANCE 8 94	200	104¼	104¾		6.03
IBM INTL FIN 7 3/4 94	200	104¼	104¾	+⅛	5.55
IND BK JAPAN FIN 7 7/8 97	200	102¼	102¾	-⅛	7.27
INTER AMER DEV 7 5/8 96	200	103¼	103¾	-⅛	6.76
ITALY 8 1/2 94	1500	106¼	106¾	-⅛	5.77
JAPAN DEV BK 8 96	150	104¾	105¼		5.69
KANSAI ELEC PWR 10 96	350	109¾	110¼	-1¼	7.21
LTCB FIN 8 97	200	102½	102¾		7.40
NEW ZEALAND 9 94	650	106¾	107		6.04
NIPPON CRED BK 10 3/8 95	150	110¼	110¾		6.91
NIPPON TEL & TEL 9 3/8 95	200	108½	108¾		6.23
ONTARIO 8 1/2 01	600	103	103½		8.02
ONTARIO HYDRO 11 5/8 94	300	110½	111¼	-⅛	5.88
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Conv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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INTERNATIONAL CAPITAL MARKETS

Crédit Foncier launches Ecu750m 12-year issue

By Simon London

CREDIT Foncier, the French public-sector housing finance agency, yesterday launched a Ecu750m 12-year issue in the international bond market despite nervous conditions.

Outstanding Ecu bonds weakened as dealers and investors anticipated heavy supply of new issues. Denmark is planning a Ecu1bn domestic bond issue before the end of this month. Spain and the European Community are considering large issues in the international market.

Yesterday's deal, lead managed by Paribas Capital Markets, creates a benchmark at the 12-year maturity. This attracted institutional investors wanting to buy longer-dated Ecu paper.

In addition, firms in the management group have the option of increasing their allotments by one third if demand is strong, so the deal may be increased to Ecu1bn next week, further improving liquidity.

Against this, demand for Ecu bonds remained sluggish and participants commented that bonds offered a fair, but not generous, yield. The paper carries a coupon of 8⅝ per cent and will be priced today to yield 7 basis points more than French government Ecu bonds at the 10-year maturity.

INTERNATIONAL BONDS

Elsewhere, KFW, the German state project finance agency, launched a C$250m five-year deal, lead-managed by IBJ International. With a coupon of 8⅝ per cent, the bonds were priced to yield 34 basis points more than comparable Canadian government paper, again considered ungenerous by participants, given poor market conditions.

Canadian dollar bond prices have fallen sharply this month following a strong performance for most of last year. Government bond yields at the five-year maturity have risen from 7.25 to nearly 8 per cent since the start of this year.

While there are pockets of demand for new bonds, many investors remain nervous. From a fixed-reoffered price of 99.80, the bonds traded down to 99.70 bid by the close.

A retail targeted C$100m five-year deal was launched by Crédit Lyonnais, lead managed by Hambros. The 8⅝ per cent bonds were priced to yield 10 or 11 basis points more than the KFW issue, reflecting the issuer's lower credit quality.

There was no fixed re-offer, but the bonds were bid 1.85 points below issue price by the close, just inside full fees of 1.875 per cent.

● Stet, the Italian state telecommunications agency yesterday fixed the exercise price of warrants on SIP Savings shares at L1550. The warrants were part of Stet's L400bn equity-linked bond issue launched last month.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Tokai Bk Nederland(b)‡†	100	(b)	101⅞	2002	2/1¼	Salomon Bros.
Fuji Bk (Luxembourg)(c)‡†	50	(c)	102	2002	2/1¼	Fuji Int.Finance
ECUs						
Comm.Consortium Sutaleat(a)†	200	8⅝	101.475	1997	1⅞	Credit Lyonnais
CANADIAN DOLLARS						
KFW Int.Finance(a)†	250	8⅝	101.425	1997	1⅞/0.2	IBJ Int.
Credit Lyonnais(a)†	100	8⅝	101.425	1997	1⅞/1⅝	Hambros Bank
PESETAS						
Eurofima(d)†	15bn	10½	101¼	1997	1⅝/½	Bco.Central His.-Amer.
NEW ZEALAND DOLLARS						
Telecom of NZ Finance(a)†	60	9¼	101.40	2000	2½/1½	Hambros Bank
D-MARKS						
Kakiyasu Hunten(a)**†	15	8½	101.60	1997	1⅝/1⅛	IBJ AG
Republic of Iceland(e)†	225	8½	102¼	2002	2½/1½	West.B
AUSTRIAN SCHILLINGS						
Council of Europe(f)†	1.5bn	8	101	1994	1¼/1	Creditanstalt-Bkverein.

**Private placement. §Convertible. #With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon pays 60bp over 6-month Libor for first 3 years, then fixed at 9% thereafter. Callable 27/3/95 at par. c) Coupon pays 55bp over 6-month Libor for first 3 years, then fixed at 9⅛% thereafter. Callable 3/4/95 at par. d) Matador issue. Non-callable. e) Amount increased from DM175m. Non-callable. f) Amount increased from Sch1bn. Non-callable.

Moody's rates Asda below investment grade

THE LONG-TERM debt of Asda, the UK stores group, falls below investment grade, according to a report from Moody's, the US credit rating agency, writes Richard Waters.

Moody's assessment of Asda, at Ba1, one notch below investment grade, places the company two notches below the BBB rating accorded it by IBCA, the UK credit rating agency.

Moody's also rated Asda's convertible capital bond (issued by Asda Group Finance) at Ba3, three places below investment grade, and said the British group's commercial paper failed to qualify as Prime.

Moody's said the ratings reflect "on-going pressure on Asda's core earnings in the UK grocery market".

Asda refused to comment on the ratings, which were unsolicited. Moody's ratings affect £420m of long-term debt.

Mexico sets its sights on derivatives trading

Damian Fraser reports on the country's plan to offer on-shore warrants and options

BY JUNE, Mexico's stock market authorities plan to be offering listed warrants on the bolsa index and on some 10 to 12 leading stocks. The move is an effort to bolster liquidity and stem the growing tide of derivative business conducted off-shore.

Mr Guillermo Prieta, vice-president at the Comision Nacional de Valores (CNV), said the creation of covered warrants would itself increase turnover in the underlying market. He said investors would also be able to use the warrants to protect their investment portfolios from unfavourable price changes.

If the warrants market is successful, the CNV would establish a listed options market which the Mexican authorities would bring under the same level of close regulation that it has planned for the warrants market. In a third stage, the authorities plan to set up a financial futures market.

Mr Prieta also revealed that Mexico would shortly introduce an intermediate market for the thousand or so businesses worth between $3m and $30m. The listing requirements for the smaller companies market will be lighter than those in the main bolsa.

Foreign and domestic investors interested in buying options on the bolsa currently have to buy offshore warrants listed in Luxembourg on baskets of Mexican stocks offered by Merrill Lynch, Nomura and the Mexican bank Banamex.

Merrill Lynch also offers offshore warrants on seven individual Mexican stocks. US-listed options on Telmex, the telephone monopoly, whose American Depositary Receipts (ADRs) are traded on the New York Stock Exchange, are also available.

These have proved popular, and have threatened to divert business away from the underlying Mexican stock market, according to Mr Juan Jose Suarez, head of derivatives at Banamex. As securities houses sell options and warrants mainly on ADRs, they have tended to buy and sell the underlying ADR, rather than the Mexican stock, to cover the risk.

At the end of 1991, some 74.3 per cent of foreign investment, or $14.2bn in Mexican stocks, was in the form of US-based ADRs. This was mainly because many US institutional investors are only allowed to buy dollar denominated shares. But the demand for Mexican-listed stocks has also been damped by the high cost of buying them, their low liquidity and constraints on hedging – problems which will be reduced when Mexico introduces its own options market.

The Mexican brokerages hope that by offering derivatives they will also attract more foreign investment in Mexican-listed stocks.

Foreign investors seem to agree. Mr Lincoln Rathbone of Scudders, Stevens, and Peabody, points out that if the derivatives are liquid, "it is a big plus for Mexico . . . since this allows you to employ tools regarding controlling risk that we are used to".

Mr Tim Davies, of James Capel, echoes this view. "There is no real way to hedge the country risk of investing in Mexico – that makes some foreigners more hesitant."

The Mexican warrants will also be on-shore, and thus open to many more US and Mexican institutional investors than the Luxembourg warrants.

However, foreign investors may not gravitate to Mexican warrants if the regulators do not guarantee the warrants and options through a controlled clearing system, as happens in the US. Without guarantees, the purchaser of a warrant or option is accepting the credit risk of the Mexican broker or bank that issues the option – which often is significant. (Under Mexican law only domestic institutions will be able to issue derivatives).

Mr Suarez, of Banamex, suggests further problems. The bolsa prohibits margin trading; short sales are almost impossible because of burdensome regulation; brokerage fees are much higher than in the US; and proprietary trading – essential to liquidity – is difficult. All these restrictions make it impossible to use options and warrants as proper and efficient hedges (because they inhibit the arbitrage between the underlying and derivative market). Investors will probably continue using off-shore instruments, if they are legally free to do so.

Mr Prieta seems aware that the regulation of Mexico's underlying bolsa needs to be reduced, and suggested that in the near future some restrictions will be lifted, including those on proprietary trading. This should increase liquidity, and allow the Mexican market to compete more effectively.

ABN-Amro to advise Polish bank

By Christopher Bobinski in Warsaw

ABN-AMRO Bank of the Netherlands has signed a $3.6m agreement to provide management advice to the Industry and Commerce Bank in Krakow, one of Poland's largest state-owned banks.

The two-year agreement is part of a "twinning" scheme involving eight of Poland's largest state banks and western banks. It is financed by the World Bank through a $200m loan designed to help develop Polish banks.

Midland Bank of the UK and Unibank of Denmark have signed similar agreements with two other Polish banks.

ABN-Amro is already involved in Poland with an 18 per cent share in the International Bank of Poland, a new consortium bank capitalised at $20m.

ABN-Amro and Australian Pacific of San Francisco have also established a small consulting company in Poland, Europe Pacific Investment.

US Treasuries weaken ahead of auction

By Patrick Harverson in New York and Richard Waters in London

THE Treasury's quarterly refunding programme remained the dominant influence on US bond market sentiment yesterday morning, with bond prices weaker across the board ahead of the afternoon auction of 10-year notes.

GOVERNMENT BONDS

By midday the benchmark 30-year government issue was down $\frac{1}{8}$ at 102$\frac{1}{8}$, yielding 7.805 per cent. The two-year note was also lower, down $\frac{1}{16}$ at 99$\frac{15}{16}$, yielding 5.043 per cent.

There was little sporadic buying and selling during the morning. The main objective among participants was to establish secure positions in advance of the 10-year auction.

Demand for the new securities was expected to be relatively light, although the steepness of the yield curve suggested there might be more interest in the 10-year notes than was displayed in the three-year notes on Tuesday.

The final leg of the refunding is later today, when the Treasury sells $10bn of 30-year bonds.

■ THE PRICES of longer-dated UK gilts edged higher yesterday on continuing signs of economic weakness, although prices slid marginally at the short end on weaker hopes of an early cut in interest rates.

The latest quarterly bulletin from the Bank of England, published yesterday, gave little evidence of economic recovery, although in its assessment, the Bank said that it still expected recovery this year. Analysts also expect to find little sign of recovery in employment data due today or inflation data on Friday.

The benchmark 11¾ per cent bond due 2003/07 firmed from 111$\frac{1}{4}$ to 111$\frac{13}{32}$ during the day. In a light day on Liffe, with only 16,000 contracts traded, the long gilts future rose from its opening of 97.27 to close near the high of the day at 98.00.

In contrast, the 10 per cent gilt due 1994 fell by $\frac{1}{8}$ of a point to 101$\frac{1}{8}$.

■ PRICES of German government bonds remained generally firm, with 34,000 of the March 10-year bund contract traded.

Expectations that 10-year bund issues would remain scarce helped to keep prices firm, analysts said. Shorter-dated government bonds, by contrast, weakened.

■ JAPANESE government bond yields rose yesterday on fears for the yen. Reports that the US Federal Reserve does not want to see any further depreciation in the dollar led to concern that intervention would hit the yen, helping to push Japanese government bonds down from their Monday close. (Tuesday was a holiday.) The yield on the benchmark no 129 bond rose from Monday's close of 5.445 per cent to 5.5 per cent during the day.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	99.5219	+0.365	10.07	10.34	[illegible]
BELGIUM		9.000	06/01	102.1500	-0.050	8.65	8.66	8.70
CANADA *		8.500	04/02	101.0500	-0.200	8.34	8.38	7.98
DENMARK		8.000	11/00	102.7700	-0.100	8.53	8.57	8.54
FRANCE	BTAN	8.500	03/97	99.0572	-0.078	8.72	8.74	8.70
	OAT	8.500	11/02	100.2900	-0.010	8.45	8.45	8.44
GERMANY		8.000	01/02	100.8900	-0.040	7.87	7.92	7.98
ITALY		12.000	02/02	99.4500	-0.060	12.27	12.27	0.00
JAPAN	No 119	4.800	06/99	94.5513	-0.330	5.86	5.80	5.60
	No 129	6.400	03/00	105.0158	-0.208	5.51	5.46	5.38
NETHERLANDS		8.250	02/02	99.8400	+0.150	8.27	8.35	8.28
SPAIN		11.300	01/02	102.6800	-0.020	10.80	10.88	11.07
UK GILTS		10.000	11/96	102-00	-	9.41	9.53	9.62
		9.750	08/02	102-31	+4/32	9.30	9.33	9.59
		8.000	10/08	88-00	+7/32	9.12	9.11	9.39
US TREASURY *		7.500	11/01	101-17	-13/32	7.28	7.24	6.89
		8.000	11/21	102-05	-10/32	7.82	7.75	7.49

London closing, *denotes New York morning session. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Wed Feb 12 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Feb 11 Index No.	Mon Feb 10 Index No.	Fri Feb 7 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (178)	777.04	-0.6	8.72	6.17	14.67	0.61	781.41	782.77	776.92	770.35
2	Building Materials (23)	944.30	+0.4	7.31	6.57	18.51	0.44	940.86	940.46	936.29	1066.80
3	Contracting, Construction (28)	877.94	-0.7	9.07	8.46	15.90	0.00	884.18	878.82	878.23	1187.66
4	Electricals (7)	2445.12	-0.4	10.10	6.14	12.45	1.47	2454.89	2424.17	2433.44	2002.70
5	Electronics (26)	1764.71	-1.0	10.40	4.85	12.18	1.26	1782.99	1787.71	1763.37	1677.45
6	Engineering-Aerospace (8)	316.62	-1.4	16.86	8.21	7.21	0.77	321.17	330.55	328.11	398.95
7	Engineering-General (43)	482.10	-0.5	9.81	5.11	12.58	1.21	484.46	485.12	486.80	376.19
8	Metals and Metal Forming (10)	328.99	+0.3	2.12	10.56	–	0.00	328.12	328.63	323.71	427.10
9	Motors (14)	303.27	-0.1	8.38	7.80	15.86	0.00	303.65	303.70	301.92	303.27
10	Other Industrial Materials (19)	1578.09	-1.0	7.62	5.19	15.66	0.69	1593.55	1594.42	1574.55	1363.04
21	CONSUMER GROUP (188)	1648.98	-0.4	7.00	3.34	17.58	2.27	1655.11	1653.78	1643.18	1296.21
22	Brewers and Distillers (23)	2059.31	-0.2	7.82	3.44	15.43	7.92	2062.43	2045.79	2048.58	1646.21
25	Food Manufacturing (18)	1256.53	-0.1	8.58	4.04	14.40	2.11	1258.24	1258.55	1251.34	1095.18
26	Food Retailing (17)	2539.23	-0.1	8.70	3.26	14.93	0.39	2541.50	2528.19	2500.29	2458.34
27	Health and Household (24)	4416.88	-0.9	5.14	2.21	22.29	0.86	4455.93	4492.63	4453.79	2789.02
29	Hotels and Leisure (23)	1283.18	+0.4	7.31	5.24	17.03	1.02	1277.64	1274.88	1260.78	1191.55
30	Media (24)	1488.65	-0.3	6.58	3.60	19.12	1.22	1492.50	1483.31	1476.54	1250.96
31	Packaging, Paper & Printing (17)	753.74	-0.1	7.02	4.40	17.26	0.22	754.66	757.99	782.05	557.90
34	Stores (32)	1032.38	-0.6	7.15	3.50	18.52	1.89	1038.19	1033.65	1024.64	838.00
35	Textiles (10)	623.65	+0.1	7.36	4.96	17.33	0.53	623.14	619.24	617.39	432.23
40	OTHER GROUPS (116)	1210.88	-0.2	9.96	5.47	12.66	6.34	1213.61	1215.24	1207.92	1078.68
41	Business Services (16)	1366.51	-0.4	7.34	4.80	17.32	0.07	1372.63	1366.28	1357.12	968.83
42	Chemicals (21)	1493.58	+0.4	6.73	4.90	18.38	0.44	1487.20	1478.20	1474.98	1154.45
43	Conglomerates (11)	1260.22	-0.3	11.51	8.04	10.58	3.11	1263.88	1276.88	1253.63	1414.06
44	Transport (14)	2390.58	-0.2	5.31	4.73	24.87	2.46	2395.74	2375.36	2381.62	1936.32
45	Electricity (16)	1203.25	-0.2	15.07	6.18	8.63	17.21	1205.44	1204.50	1202.98	1116.92
46	Telephone Networks (4)	1396.79	......	11.23	4.49	11.62	15.96	1397.12	1404.63	1399.14	1207.54
47	Water (10)	2404.52	+0.2	17.74	6.61	6.21	0.00	2400.40	2391.62	2353.99	2431.15
48	Miscellaneous (24)	1807.69	-1.5	5.67	5.40	24.11	0.95	1834.92	1850.76	1832.75	1702.48
49	INDUSTRIAL GROUP (482)	1289.59	-0.4	8.21	4.49	15.23	3.17	1294.23	1294.62	1286.24	1101.74
51	Oil & Gas (18)	2115.87	-0.8	12.09	6.63	10.94	8.11	2133.19	2130.07	2092.54	2239.17
59	500 SHARE INDEX (500)	1365.08	-0.4	8.63	4.72	14.61	3.56	1370.68	1370.82	1360.29	1197.15
61	FINANCIAL GROUP (87)	711.14	-0.9	–	6.53	–	0.71	717.95	718.50	717.14	761.34
62	Banks (9)	866.32	-1.3	4.43	6.13	45.92	1.59	877.90	873.71	870.26	830.77
65	Insurance (Life) (6)	1391.36	-0.5	–	6.14	–	0.00	1398.85	1402.53	1386.63	1353.92
66	Insurance (Composite) (7)	474.31	-0.4	–	9.19	–	0.00	476.45	491.46	498.35	655.32
67	Insurance (Brokers) (10)	968.47	-0.3	7.99	6.90	16.48	1.80	971.09	976.40	978.61	1029.39
68	Merchant Banks (7)	474.43	......	–	4.52	–	0.00	474.32	471.37	473.23	382.31
69	Property (33)	765.66	-1.4	7.51	5.93	18.22	0.44	776.67	769.55	765.71	1003.24
70	Other Financial (14)	245.16	-0.1	8.12	7.29	16.27	0.00	245.47	243.23	241.58	258.71
71	Investment Trusts (68)	1183.69	-0.2	–	3.68	–	2.02	1185.80	1179.90	1178.88	1058.00
99	ALL-SHARE INDEX (654)	1209.82	-0.5	–	4.91	–	2.90	1215.47	1215.54	1207.23	1089.16

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 11	Feb 10	Feb 7	Feb 6	Feb 5	Year ago
FT-SE 100 SHARE INDEX♦	2523.7	-13.4	2537.2	2523.7	2537.1	2538.4	2517.2	2534.3	2547.1	2267.8

FIXED INTEREST

	PRICE INDICES	Wed Feb 12	Day's change %	Tue Feb 11	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (26)	122.60	+0.03	122.57	2.08	1.25
2	5-15 years (26)	137.22	+0.11	137.07	1.90	2.17
3	Over 15 years (8)	148.58	+0.17	148.33	2.69	0.36
4	Irredeemables (6)	164.82	+0.19	164.50	2.97	0.00
5	All stocks (66)	135.17	+0.09	135.05	2.07	1.68
	Index-Linked					
6	Up to 5 years (2)	168.59	....	168.58	-0.02	1.37
7	Over 5 years (9)	150.26	+0.01	150.25	0.68	0.63
8	All stocks (11)	151.65	+0.01	151.64	0.59	0.72
9	Debs & Loans (62)	119.43	+0.10	119.31	3.15	0.46

	AVERAGE GROSS REDEMPTION YIELDS		Wed Feb 12	Tue Feb 11	Year ago (approx.)
	British Government				
1	Low	5 years	8.61	8.60	9.40
2	Coupons	15 years	9.12	9.14	9.53
3	(0%-7¾%)	20 years	9.12	9.14	9.58
4	Medium	5 years	9.38	9.38	10.13
5	Coupons	15 years	9.20	9.22	9.89
6	(8%-10¾%)	20 years	9.16	9.19	9.85
7	High	5 years	9.61	9.61	10.29
8	Coupons	15 years	9.29	9.31	10.04
9	(11%-)	20 years	9.23	9.25	9.96
10	Irredeemables	†	9.32	9.34	9.88
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.82	3.82	3.74
12	Inflation rate 5%	Over 5 yrs.	4.27	4.27	4.14
13	Inflation rate 10%	Up to 5 yrs.	3.20	3.20	2.43
14	Inflation rate 10%	Over 5 yrs.	4.10	4.10	3.97
15	Debs &	5 years	10.77	10.82	12.47
16	Loans	15 years	10.59	10.61	12.13
17		25 years	10.45	10.45	11.81

♦Opening index 2532.8; 9 am 2534.2; 10 am 2528.0; 11 am 2529.5; Noon 2531.9; 1 pm 2527.6; 2 pm 2525.1; 2.30 pm 2525.8; 3 pm 2525.0; 4.10 pm 2528.3; (a) 8.46 am (b) 4.30 pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	42	3	36
Other Fixed Interest	10	0	7
Commercial, Industrial	231	294	954
Financial & Property	118	137	538
Oil & Gas	17	23	52
Plantations	0	0	9
Mines	60	15	75
Others	64	26	30
Totals	542	498	1,701

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renun. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renun. Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid Up	Latest Renun. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or-
[illegible]							

LONDON TRADED OPTIONS

Option		Calls			Puts		
[illegible]							

TRADITIONAL OPTIONS

● First Dealings Feb. 3
● Last Dealings Feb. 14
● Last Declarations May 7
● For settlement May 18

3-month call rate indications are shown on this page. Calls in Berisford Intl., Burmin Expl., Clayform Props., Gulf Res., Conroy Petrlm., Dowty, Erskine House, Lonrho, Meekatharra, Mountleigh, Natl. Home Loans, Oliver Res., P & O, Polon, Rosehaugh and Wharfedale.

TRADITIONAL OPTION 3-month call rates

[illegible]							

UK COMPANY NEWS

BTP calls for £28m to help complete European jigsaw

By Jane Fuller

BTP, the specialist chemicals and industrial group, yesterday announced a £28.3m rights issue, part of which will be spent on two French adhesives businesses.

The 1-for-6 issue at 205p was launched with the group's share price of 252p virtually at an all-time high after outperforming the market by more than 40 per cent in the past year. It closed down 8p.

The £8.8m purchase of Lambiotte and TRL, from Borden France and Sofragraf respectively, will continue the continental expansion of the Mydrin adhesives and textile coatings businesses that was first pushed forward via a rights issue 20 months ago. That funded the £15.5m purchase of Cerestar, the west German-based adhesives concern.

Mr Frank Buckley, chairman and chief executive, said continental activities already extended to Scandinavia and Italy. France was "the last hole in the European jigsaw".

With an annual operating profit in the new subsidiaries of £1.41m on sales of £23m, there was scope to improve margins towards the 9 per cent average for the chemicals division. They would take the continental share of group turnover up to 34 per cent.

However, Mr Buckley said the most exciting project, which would take up £4.5m of the issue proceeds, was the building of a factory near Blackburn to produce preservatives for water-based industrial products.

Environmental concerns were pushing many of these products away from solvents, but the water-based alternatives "have to be preserved because bugs grow in water".

BTP had 60 per cent of the world market for preservatives for cosmetics and toiletries, but this field was tiny compared with industrial applications, he said. The new factory, part of the biocides division, would be additional to the group's normal annual capital spending of about £5.5m.

Another £9.8m is earmarked for further deals, including a joint venture in India costing about £4m.

Initially the proceeds will wipe out debt of between £12m and £13m – gearing of 20 per cent. Mr Buckley said the group would have £8m to £9m cash at its March year-end.

Analysts are forecasting a rise of less than £1m in pre-tax profit from last year's £18m, with earnings per share reduced to about 15.2p (15.81p) by extra shares in issue.

The company intends to raise the final dividend to 5.75p, giving an expected total of 8.85p, a 5 per cent rise.

Watmoughs' £22m rights for Spanish print plant

By Richard Gourlay

WATMOUGHS, one of the UK's largest printers, yesterday announced a 1-for-4 underwritten rights issue at 350p to raise £22.3m for a new gravure printing facility in Spain.

The £36m plant will service five year contracts to print Hello magazine – the UK's most recent publishing success – Hola magazine, Hello's progenitor, and Blanco y Negra, a leading Sunday supplement, in Madrid.

Mr Patrick Walker, chairman, said the three contracts would require 80 per cent of the new plant's capacity when it comes on stream in spring 1993. It would be profitable at that level from day one.

The market welcomed the move, with Watmoughs' shares falling only 7p to 425p having earlier touched 405p on news of the rights issue.

The group is forecasting pre-tax profits of not less than £8m (£11.6m) for 1991 together with a final dividend of 8p, an increase of 0.25p.

Gravure printing of Sunday supplements and magazines like Marie Claire is becoming an increasingly international business. Watmoughs hopes the Spanish plant will give it a platform for the southern European market. Mr Walker hopes to cash in on being a specialised printer, unlike the publishing groups Bertelsmann of Germany and Hachette of France, Spain's main existing gravure printers.

The majority stake Watmoughs purchased last year in Revai, a Hungarian printer, has already given it a web-offset capacity with which to develop new markets in eastern Europe, Mr Walker said.

The company already has about half the Sunday supplement market in the UK, and also prints travel and mail order catalogues.

Since its launch in 1988, Hello magazine has had a marked success in the UK, rising to a weekly circulation of 520,000. Packed with news of the rich and famous – a critical interview is as likely to be printed as a picture of a Calcutta slum.

Hola magazine, published with Hello by Hola SA, has an average weekly print run of 750,000 while Blanco y Negro, published by Prensa Espanola, has a 720,000 print run.

Analysts expect the plant to be dilutive on earnings this year, requiring an increase in borrowings that will lift gearing to a maximum of 40 per cent before the plant becomes cash generative in 1994.

Wickes confident despite £6.72m loss

By John Thornhill

WICKES, the DIY and timber group which ran into severe financial problems as a result of an ill-judged acquisition, yesterday said it was turning round in spite of the continuing recession and an annual pre-tax deficit of £6.72m.

In the second half, the group produced a pre-tax profit of £6.2m, although this was not sufficient to offset a first half deficit of £12.9m. Last year it incurred a pre-tax loss of £7.65m.

Sales in the year fell from £623.9m to £526.8m. Losses per share were reduced to 2.1p (3.5p).

No dividend is declared although the company said it was its intention to resume dividends in 1992.

Mr Henry Sweetbaum, chairman, said the turnround was the result of corrective action taken at the end of 1990 to sort out its troubled Hunter and Malden timber businesses.

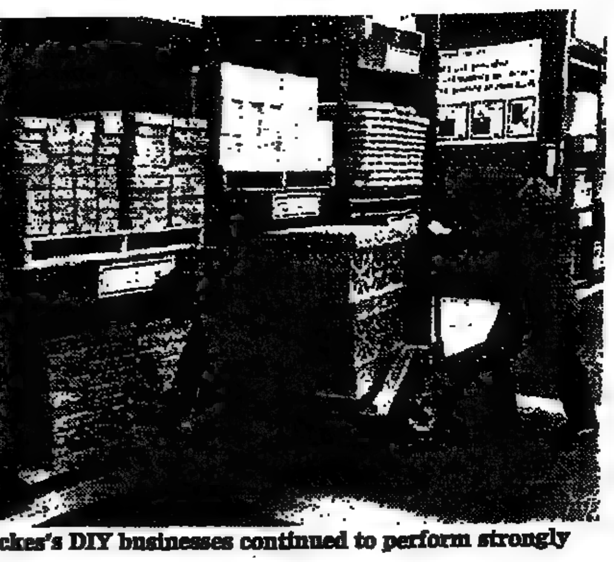
"As both these business move into profit the bleeding that has been so painful over the past 18 months will come to a stop," he said.

Wickes's core DIY retailing businesses continued to perform strongly with its UK division increasing pre-tax profits by 24 per cent.

The operations in mainland Europe produced an 80 per cent improvement in pre-tax profits. During the first half of this year the group will open its 100th store.

Wickes was able to cut borrowings substantially following a rights issue in March. Debt fell by £53m to £87.2m.

Mr Sweetbaum said there had been little sign of economic recovery but he was nevertheless confident of an improving trend in profitability.



Wickes's DIY businesses continued to perform strongly

● COMMENT

The strength of Wickes's core business has never been in doubt even though its disastrous diversification into timber threatened its very survival. And with the numbers on the timber side eventually heading the right way, Wickes is re-emerging as a plausible recovery play. The company's specialist niche at the heavy end of the DIY market has protected it from the flak of the price war that has recently beset the mainstream DIY sector and it has continued to make encouraging progress in mainland Europe. Assuming no further nasty lurches in the economy, analysts are looking for pre-tax profits of £15m in the current year which offers a prospective multiple of almost 17 on yesterday's share price, which was 3p higher at 66p. Wickes's attractions have hardly gone unnoticed by the market but the shares may still offer good value on any weakness.

Allied Leisure edges ahead after interest cut

By Richard Gourlay

Allied Leisure, the tenpin bowling and nightclub group, yesterday reported a slight increase in interim profits, but only after a drop in interest charges after last year's £16m rights issue.

Pre-tax profits in the 25 weeks to January 5, rose from £1.63m to £1.65m on sales up 18 per cent at £10.6m. Interest fell from £1.04m to £788,000.

The group has also written off its investment in loss-making theme bars, taking a £3.23m extraordinary charge that includes anticipated losses until they are sold.

Richard Carr: challenging trading conditions

Mr Richard Carr, chairman, said the recession had created the most challenging trading conditions the company had ever experienced, but that it had "managed much better than the majority" of its competitors.

Bowling produced more than 90 per cent of operating profits, after profits from the dancing division fell by two thirds to £295,000.

Earnings per share fell from 6.92p to 3.69p but the interim dividend is maintained at 1.5p.

ICI Spanish paint buy

By Ian Hamilton Fazey

IMPERIAL Chemical Industries is buying Barnices Valentine of Barcelona, Spain's largest manufacturer of vehicle repair paints.

ICI already owns Valentine in France and the move fills a gap in the British group's southern European markets.

Barnices, which is privately owned, has turnover of £16m in a fragmented niche market in which only small quantities of high-value, specialised coatings are used. ICI, however, will now be able to add its Autocolor products to Valentine's, usingBarnices' distribution network.

The price was not disclosed at Barnices' request, but is unlikely to be significant. However, the acquisition is the first by ICI for more than 18 months, a period in which it has made numerous divestments.

General Consolidated net assets rise 12.7%

GENERAL Consolidated Investment Trust reported a net asset value of 155.6p at December 31 – an advance of 12.7 per cent over the previous year's 138p.

Sir Mark Thomson, chairman of this split-level trust, said its underperformance against market indices reflected some 37 per cent of the portfolio being invested in companies with market capitalisations below £250m.

Many had reduced or omitted dividend payments in an attempt to conserve cash resources, he said.

Net revenue edged ahead to £4.76m (£4.7m), while earnings per income share emerged at 10.7p, a marginal rise on the previous year's 10.67p.

As intimated in November, a final distribution of 2.75p is proposed, maintaining the total for the year at 10.41p.

A dividend of 3.23p is recommended on the stepped preference shares.

Recession-hit William Jackson falls to £431,000

A MUCH reduced operating surplus and exceptional charges hit William Jackson in the half year ended October 27. Pre-tax profit plunged from £1.85m to £431,000.

Mr Peter Oughtred, chairman, said the recession, pre-letting costs at Willerby Shopping Park and reorganisation charges all took their toll.

The company trades as a baker, meat products manufacturer, and discount stores operator.

Turnover rose to £101.4m (£99.2m) but operating profit fell to 515,000 (£2.39m). Exceptional charges were £322,000 comprising profit of £782,000 on sale of surplus stores less reorganisation expense of £460,000.

Earnings per share were 18.21p (45.26p).

Correction

Aitken Hume

Aitken Hume made a pre-tax profit of £3m in the year ended March 31 1991. The £1.7m exceptional charge reported in the FT of February 11 was for the previous financial year.

Refocused St Modwen declines 48%

By Paul Cheeseright, Midlands Correspondent

PRE-TAX PROFITS at St Modwen Properties, the Birmingham-based group, fell 48 per cent, from £4.05m to £2.11m, in the year to November 30.

The figures masked a change in the shape of the group from a property developer with some rental income to a property investment company with a development stream.

Gross profits came to £10m, of which rental income contributed £5.4m and property development £4.6m. In the previous year the contributions were £4.2m and £6.5m respectively.

Out of an operating profit of £7.6m interest charges took £5.5m compared with £4.3m the previous year. The rise is partly explained through the group stopping the capitalisation of interest charges on its developments.

Present gearing is 88 per cent, but during the year the group reduced its debt load from £56m to just under £40m. With lower interest rates, the borrowing cost this year should be reduced.

As the annual rent roll is now £8.9m and rising, borrowing costs are covered. "We no longer need development profits to avoid loss," said Mr Anthony Glossop, chief executive. Development profits this year, in any case, will be lower than 1991.

A sharply lower tax charge, resulting from the holding as investments of developments in Enterprise Zones, left net profit at £2m (£2.78m) and earnings at 1.7p (3.3p). The dividend is 0.55p (0.5p).

There were no extraordinary charges, against a £2.14m provision against an investment in an associate.

GWR shares up since SCPSA man died

By Norma Cohen and Peggy Hollinger

SHARES IN Great Western Resources, the USM-quoted oil, gas and coal company, have doubled from 5¾p to last night's close of 12p, in the two weeks since a key figure in a court case involving GWR died.

The company has made no public announcement. It said yesterday that it would not have been appropriate to comment on the death of Mr Joe Norman, one of three defendants in a case alleging civil conspiracy injuring the South Carolina Public Services Authority, which was at one time GWR's single largest customer.

Mr Norman, a former employee of SCPSA, died from a gunshot wound on February 1.

SCPSA had charged GWR's coal division, Mr Clyde Goins, its former president, and Mr Norman with conspiracy, fraud and unfair trade practices. In papers filed in a South Carolina state court, SCPSA alleged, among other things, that Great Western Coal and Mr Goins secretly paid Mr Norman to violate his duties as SCPSA's purchasing manager.

When asked whether the death of Mr Norman would affect the litigation, Mr Howard Wolf, GWR chairman, said: "As every student of geometry knows, three points make a plane. If one of those points is removed, obviously there has been a change."

However, Mr John Tiencken, general counsel at SCPSA, said: "The litigation is ongoing and the death of Joe Norman does not negatively impact our case."

He added that SCPSA's civil case against GWR would proceed as soon as appeals by GWR were disposed of in two federal courts.

In recent weeks, three directors have purchased GWR shares: Mr Gary Loveless, who bought 1m at 8p on Tuesday, Mr Bill Syson, who bought 150,000 at 6p on February 4, and Mr Wayne Phelan who bought 104,167 at 12.6p last night.

COMPANY NEWS IN BRIEF

ALLIED-LYONS has sold its home baking mixes and chocolate businesses to the Leeds-based Brandway Group. Consideration was not material in relation to Allied-Lyons net assets. The company has also acquired, through its Dunkin' Donuts subsidiary, the name, trade marks and business of the Michigan-based Dawn Donuts chain, for an amount not material in relation to its assets. The purchase adds 51 doughnut stores to its 2,500 total worldwide.

C&W GROUP announces full and final settlement of all of its obligations relating to premises at 730 Fifth Avenue, New York.

FLEXTECH subsidiary Flextech Communications, has entered into a joint venture agreement with United Artists Children's Channel to enable it to increase its holding in the share and loan capital of Starstream from 66.8 per cent to 74.8 per cent. Starstream trades as The Children's Channel, broadcast on satellite television. Funding will come as a result of UACC subscribing £5m for a 32.7 per cent interest in Flexcom.

HARVEY & THOMPSON has completed the disposal of its pawnbroking business, and has changed its name to Lightship. The group will move out of trade finance over the next two years.

OLIM CONVERTIBLE Trust lifted net asset value from 51.63p to 60.57p over the year to December 31. Net income was £1.5m (£1.58m) and earnings per share fell to 9.98p (10.53p). Total dividend 8.5p (8.15p) as already announced.

WILSHAW has conditionally agreed to acquire the French and Belgian-based Tracpieces companies for a total £2.91m including deferred consideration of £845,000. The two companies, which supply replacement tractor parts, had turnover of £4.26m and pre-tax profits of £501,000 for the 10 months to October 31 1991.

This annoucement appears as a matter of record only

TELESP

TELECOMUNICAÇÕES DE SÃO PAULO S.A.- TELESP

USD 100,000,000

10 % Notes due 1995

Issue Price 95.44 %

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VESTRUST SECURITIES INC.

This transaction has been arranged by
INDOSUEZ AMERICA LATINA S.A.

February 1992

BANQUE INDOSUEZ

NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 2 PLC

Class B-1 Mortgage Backed Floating Rate Notes
Due August 2023

NOTICE IS HEREBY GIVEN to Bankers Trustee Company Limited (the "Trustee") and to the holders of the Class B-1 Mortgage Backed Floating Rate Notes Due August 2023 (the "Class B-1 Notes") of Mortgage Funding Corporation No. 2 PLC (the "Issuer") that, pursuant to the Trust Deed dated 31st August, 1988 (the "Trust Deed"), between the Issuer and the Trustee, and the Agency Agreement dated 31st August, 1988 (the "Agency Agreement"), between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with the Redemption provisions set out in the Terms and Conditions of the Class B-1 Notes, Class B-1 Notes in the amount of £4,000,000 will be redeemed on 28th February, 1992 (the "Redemption Date"). The Class B-1 Notes selected by drawing in lots of £100,000 for redemption on the Redemption Date at a redemption price (the "Redemption Price") equal to their principal amount, together with accrued interest thereon are as follows:

OUTSTANDING CLASS B-1 NOTES OF £100,000 EACH BEARING THE DISTINCTIVE SERIAL NUMBERS SET OUT BELOW

Bearer Notes

95	105	112	114	167	177	180	189	197
222	370	371	379	[illegible]	409	424	437	447
465	518	529	560	574	589	630	639	681
742	807	825	[illegible]	919	[illegible]	939	967	1038
1070	1116	1136	1137					

The Class B-1 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York
60 Victoria Embankment
London EC4Y 0JP

Morgan Guaranty Trust Company of New York
Avenue Des Arts 35
B-1040 Brussels, Belgium

Union de Banques Suisses (Luxembourg) S.A.
36-38 Grand-rue
L-2011
Luxembourg

Morgan Guaranty Trust Company of New York
55 Exchange Place, Basement A
New York, New York 10260-0023
Attn: Corporate Trust Operations

In respect of Bearer Class B-1 Notes, the Redemption Price will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all unmatured coupons and talons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of any Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. On or after the Redemption Date interest shall cease to accrue on the Class B-1 Notes which are the subject of this Notice of Redemption.

MORTGAGE FUNDING CORPORATION NO. 2 PLC
By: Morgan Guaranty Trust Company
as Principal Paying Agent

Dated: 13th February, 1992

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Tax Compliance Act of 1983 unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class B-1 Notes to the paying agency's New York Office.

NOTICE TO THE WARRANTHOLDERS OF

SEIYU

THE SEIYU, LTD.

US $250,000,000

4¾% Bonds Due 1994 with Warrants
to Subscribe for Shares of Common Stock of
THE SEIYU, LTD.

Pursuant to Clause 4(A) and (B) of the Instrument dated 2nd August, 1990 (the "Instrument") relating to the above-captioned warrants (the "Warrants"), notice is hereby given as follows:

In accordance with the resolutions of the Board of Directors of The Seiyu, Ltd. (the "Company") adopted at the meeting held on 17th January, 1992, the Company will make a free distribution of shares of its common stock (the "Shares") to its shareholders of record as of 29th February, 1992 by way of a stock split in the ratio of 0.1 Share for each Share held.

Consequently, the Subscription Price of the Warrants (as defined in the Instrument) will be adjusted pursuant to Clause 3(i) of the Instrument as set forth below:

Subscription Price before adjustment:	¥2,040.90
Subscription Price after adjustment:	¥1,855.40

Effective date of adjustment will be 1st March, 1992 (Japan time).

LTCB

The Long-Term Credit Bank of Japan, Ltd., London
as Agent Bank for and on behalf of
THE SEIYU, LTD.

Dated: 13th February, 1992

U.S. $300,000,000

Republic of Indonesia

Floating Rate Notes due February 2001

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from February 13, 1992 to August 13, 1992 the Notes will carry an interest rate of 5¼% per annum. The interest payable on the relevant interest payment date, August 13, 1992 will be U.S. $6,635.42 and U.S. $265.42 respectively for Notes in denominations of U.S. $250,000 and U.S. $10,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

February 13, 1992

CHASE

UK COMPANY NEWS

Wimpey continues disposal programme with £45m sale

By Andrew Taylor, Construction Correspondent

GEORGE WIMPEY, the construction group which last year embarked on a disposal programme to reduce debts, yesterday announced that it had raised a further £45m from the sale of St Alphage House, a central London office block.

Since the summer the group has accrued more than £280m from the sale of properties and the disposal of its waste management and offshore engineering businesses.

Wimpey yesterday declined to name the purchaser of the 20-storey St Alphage House which it acquired in 1978. The profit on the sale, given the length of time the building has been on the group's books, is thought to have been in excess of £20m.

Mr Joe Dwyer, chief executive, said that the sale would "further strengthen the group's balance sheet and investment capability".

At the end of June Wimpey had net debt of £372m – equivalent to almost 60 per cent of shareholders' funds. Debts were expected to have been reduced to less than £300m by the end of last year following the £105m sale of Wimpey's waste management business to a joint venture between Wessex Water and Waste Management of the US.

Joe Dwyer: strengthening the group's balance sheet

In the autumn the group also sold – for £110m – its 50 per cent stake in Little Britain, another central London office development.

The cash from the sale of Little Britain will not become available until the second half of this year. Other disposals include Wimpey's Coppergate development in York for about £20m and the sale for less than £10m of the group's offshore engineering business.

Last night brokers said the St Alphage sale might help underpin the final dividend when Wimpey announces its annual results next month. The dividend is thought to have been under pressure since the slump in first-half pre-tax profits from £12.6m to just £200,000.

Monarch of the Glen protected by English Laird

James Buxton charts Fullarton's 14-year expansion in Scotland's computer industry

NOT MANY UK manufacturing companies expect their turnover this year to be at least 50 per cent more than it was in 1990.

Yet that is the forecast at Fullarton Fabrication, a Scottish company which supplies components and sub-assemblies to the computer industry.

Fullarton is in the throes of the biggest investment programme in its 14-year history, spending £4.5m on increasing capacity at its eight plants at Irvine, Ayrshire. It expects this year's sales to exceed £50m – against £32m in 1990 – and envisages its workforce increasing by 140 to 1,400 over the 12 months.

Fullarton is one of the few UK companies to exploit the concentration of large electronics manufacturing companies in Silicon Glen, the popular name for the Scottish electronics industry, and thus to compete with components suppliers from the Far East from which the multinationals draw many of their supplies.

It is also unusual because it is to a large extent the creation of one man, Mr Allan McLuckie, its managing director. However, it operates with considerable autonomy as a subsidiary of the Laird Group, the London-based car parts, plastics and building products group.

Fullarton was set up in 1978 by Mr McLuckie and five others when the night storage radiator manufacturer, where they had worked their way up from the shop floor, got into difficulties. They initially directed their metal-working skills to making farm gates and electricity meter boxes, but the objective was to become a sub-contractor to the computer industry.

In 1979 Mr McLuckie, a tenacious Scot who wastes neither time nor words, achieved the remarkable feat of coaxing International Business Machines' plant at Havant, Hampshire, into buying metal casings for its computers from Fullarton when it had fewer than 30 employees.

By 1984 turnover had reached £4.2m and Fullarton employed 180 people producing components for the computer industry in high volume. But Mr McLuckie and his colleagues reluctantly decided that further growth would require constant heavy investment and, as he puts it: "Success was bringing its own problems; six guys were spending a lot of time running round the boardroom table."

In early 1985 Fullarton accepted an approach from Laird and sold out. Laird insisted on orderly financial planning to avoid the occasional overtrading of the past. Mr McLuckie now reports to Mr Ian Arnott, Laird's managing director, but says: "We still look at this company as if we own it. Laird has given us the freedom to run our business."

Since then Fullarton has invested £8.7m (not including the current £4m programme) in expansion, with contributions from Laird supplemented by grants from the Scottish Office. It has expanded into electrical assembly, cable assembly and plastic injection moulding, and now operates seven plants.

Fullarton's success – it is now the largest employer in Irvine – is based on the acceptance that it exists to service the multinationals. "We're just the meat in the sandwich. We don't control our own destiny," says Mr McLuckie. Supply contracts are often arranged at short notice and can be cancelled equally quickly, and delivery is normally on a just-in-time basis.

Fullarton assembles key-boards for personal computers for IBM's plant at nearby Greenock and installs electrical components and cabling in sheet metal computer casings. Its other local customers, all within about 70 miles, include Oki, the Japanese printer maker, at Cumbernauld and Compaq at Erskine, as well as Hewlett-Packard, Mitsubishi, Unisys and Timex. It now supplies Intel, the US company, with PC cases in Oregon, as well as Ireland.

Like many other company managing directors, Mr McLuckie says: "Our best asset is our people." What may make Fullarton different is that in addition to building a training and education centre, it brings all its employees up to date on the state of the company about every six weeks.

Staff are bussed to the training centre in groups of about 80 and Mr McLuckie spends about an hour and a half briefing each group. It takes about 18 sessions and means interrupting production over a week and a half. Mr McLuckie says it pays off in terms of commitment and productivity.

From Laird's point of view Fullarton is a profitable investment (though pre-tax profit fell from £2m in 1989 to £1.6m in 1990 on sales ahead from £30m to £32m) and is likely to grow further. Laird executives visit Irvine only about three times a year and there are no Laird appointees on the staff.

"It's a stand-alone business," says Mr John Gardiner, Laird chairman, "which brings no direct benefits to other parts of the group apart from profits." But he says that Fullarton draws on the knowledge of Laird's engineering subsidiaries in France and Germany, which are run by local nationals.

Fullarton's current expansion is aimed at increasing its capacity with an eighth factory (buying a redundant plant from a neighbouring company) and installing more metal-processing and plastic-moulding equipment. Mr McLuckie says that suppliers like Fullarton are becoming "an extension of the multinationals' facilities", as the large companies increasingly obtain their components and sub-assemblies from a single company rather than from a handful.

"The multinationals' forte is R&D and marketing; ours is providing a service," he says. He calls Fullarton an "industrial supermarket" where the customer can buy a wide range of goods and where the "shelves" (ie the factories) can be rearranged and stocked to provide whatever the client wants.

Neither Mr McLuckie nor Mr Gardiner is deterred by the shake-out taking place in the world electronics industry, with IBM's difficulties particularly well-publicised. "In general electronics is tough at the moment," admits Mr McLuckie. "But currently our business with IBM is busy and we're expanding.

"I don't expect to get through 1992 without some tough times. But the beauty of our story is that, even with peaks and troughs, we've finished each year with more people than we started with."

NEWS DIGEST

Moorfield £691,000 in the red

MOORFIELD Estates, the USM-quoted property development group, reported a pre-tax deficit of £691,000 in the year to October 31 1991.

The result compared with a profit last time of £565,000 and came from turnover down from £11.5m to £8.6m.

The commercial division reported a profit of £296,000 on property disposals. However, after after writing off interest of £388,000 and making provisions of £949,000 against the value of part of its portfolio, a loss of £1.04m was incurred.

The residential division recorded a 25 per cent advance. The division turned in profits of £1.87m from house sales slightly up at 67 (65) units. The average sale contributed £20,000 to profits.

Mr Tony Phillips, chairman, said the property sector had been badly affected by the recession, although the group's residential developments in Yorkshire and commercial developments in the Midlands and Yorkshire had not been as badly affected as other parts of the country.

He did not envisage a recovery in the commercial sector until later this year.

A tax credit of £226,000 (£193,000 charge) helped mitigate the loss.

A final dividend of 0.1p is proposed. This compares with a total for the 1990 year of 2.4p.

Throgmorton USM net assets growth

Net asset value of Throgmorton USM Trust continued to grow over the second half of 1991.

Basic value rose from 120.1p to 126.3p per share and fully diluted value from 116.1p to 121p per share.

At December 31 1990 the respective figures were 103.4p and 102.7p.

Gross income totalled £1.3m (£1.47m). Earnings per share worked through at 2.32p (3.71p) and the dividend is again 3.65p.

The trust invests in the 1,000 smallest companies in terms of market capitalisation. Over 70 per cent of the portfolio is in USM stocks.

Lancs Enterprises doubles to £2.1m

Lancashire Enterprises, the former economic development arm of Lancashire County Council, yesterday reported pre-tax profits more than doubled to £2.12m and a dividend up from 5p to 11p.

Turnover was up 65 per cent at £11m (£6.67m) as a result of selling economic development management and advisory contracts to a wider range of clients, which now include the European Commission, the UK government and several regional and local authorities.

The company, privatised two years ago, also has regional development contracts in Poland, Bulgaria and Hungary and is pursuing others in Czechoslovakia and Albania, as well as a venture capital fund in north-west England.

Its shares are traded on matched bargain basis. Lancashire County Investments has 25 per cent, but the only other disclosable holding is that of Clydesdale Bank Nominees, with 3.6 per cent.

Fleming Fledgeling assets advance 33%

Net asset value of The Fleming Fledgeling Investment Trust was 253.7p per share at December 31 – a rise of one third on the previous year's 190.2p.

Net revenue for the 12 months was down from £376,000 to £300,000. Earnings per share fell from 2.99p to 2.39p. A final dividend of 2p, making a total of 3p, is recommended; for 1990, in addition to the 3p total, a special payment of 0.5p was made.

Mr Val Fleming, chairman, said the lower UK content in the portfolio together with some dividend cuts and the fall in deposit interest received had collectively resulted in a reduction in earnings per share.

Castle Cairn asset value at 43.6p

Net asset value of The Castle Cairn Investment Trust rose 14.4 per cent to 43.58p over the year to December 31.

The figure, however, represented a reversal from the 44.5p reported at the interim stage.

Net revenue in 1991 was down from £110,000 to £94,000 – the figures for 1990 were for an eight months period and had been adjusted due to an accountancy change – and earnings per share declined from 0.91p to 0.79p. But the proposed dividend is increased from 0.5p to 0.75p.

Since the year-end, Castle Cairn Fund Managers has been acquired by Ivory & Sime.

Kleinwort Overseas asset value at 185p

Net asset value of Kleinwort Overseas Investment Trust fell to 185.39p at December 31, against 194.1p six months' earlier.

At the end of 1990 it stood at 157.67p.

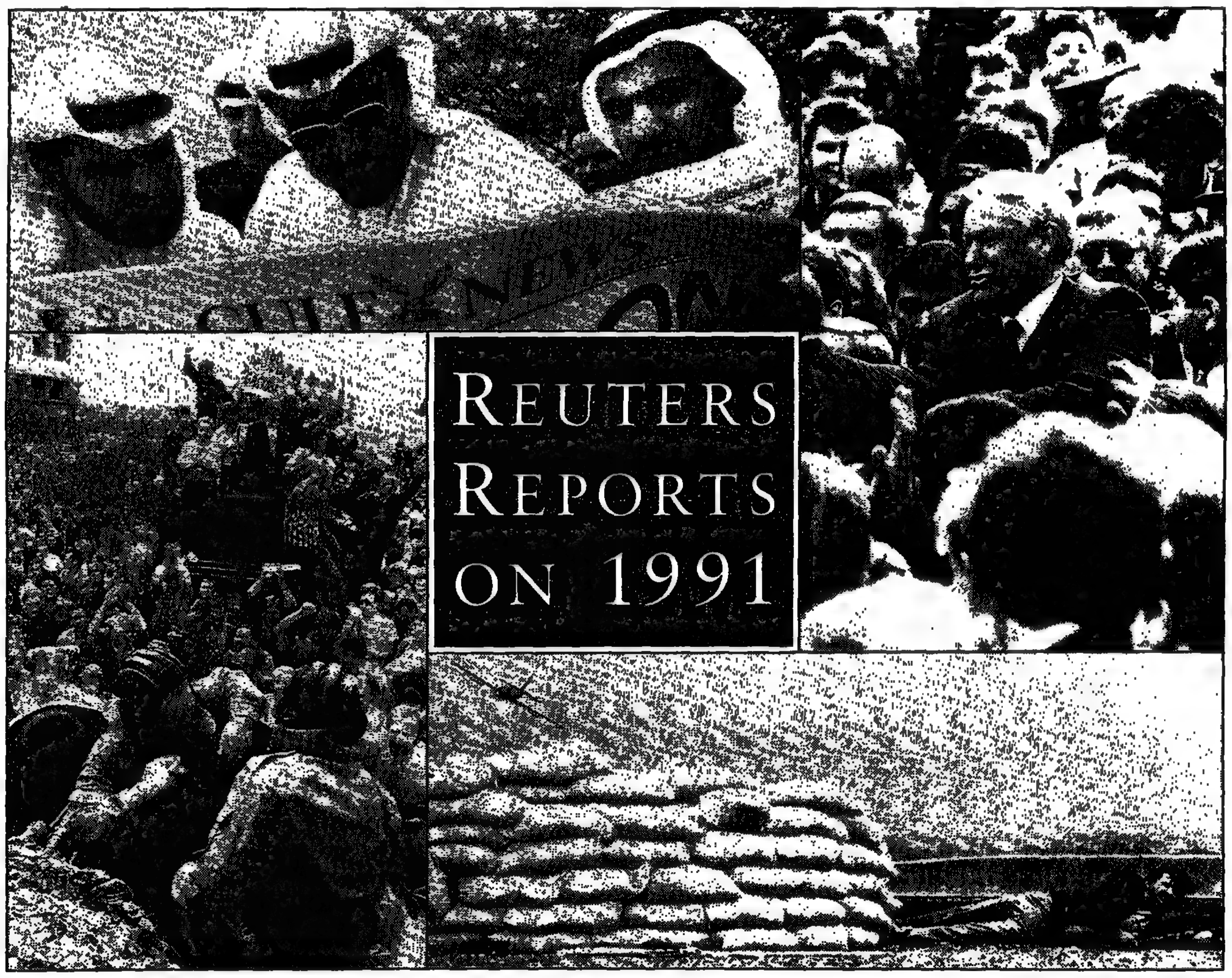
The trust, which is 29.6 per cent invested in Europe, 26 per cent in North America, and 18.9 per cent in Japan, saw gross revenue maintained at £5.1m in 1991.

Earnings per share slipped to 3.34p (3.58p) and the dividend is again 3.2p with a final of 1.7p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Allied Leisure ....int	1.5†	May 4	1.5	-	4.75
Castle Cairn ....fin	0.75	Mar 25	0.5	0.75	0.5
Fleming Fledge ....fin	2	Apr 8	2	3	3.5◆
General Cons ....fin	2.75	Apr 2	8.11	10.41	10.41
Kleinwort O'seas........fin	1.7	Apr 23	1.7	3.2	3.2
Moorfield Ests ....fin	0.1	Apr 10	1.2	0.1	2.4
Reuters ....fin	12.3	May 5	10.6	17	15
St Modwen Props ....fin	0.55	Apr 16	0.5	0.55	0.5
Throgmorton USM ..fin	3.65	Apr 16	3.65	3.65	3.65
Wickes ....fin	nil	-	nil	nil	1

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues. ◆Includes special 0.5p.



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PRELIMINARY RESULTS
TO 31 DECEMBER 1991 (UNAUDITED)

	1991		1990		Difference
	£m	US$m	£m	US$m	%
Revenue	1,466.6	2,742.6	1,369.0	2,560.0	+7.1
Pre-tax profit	340.3	636.3	320.1	598.6	+6.3
Taxation	110.6	206.8	111.7	208.9	-1.0
Dividend	71.5	133.7	62.9	117.6	+13.7
Earnings per share (ADS)	54.7p	(US$3.07)	49.5p	(US$2.78)	+10.5

Whether in Moscow or on the front line in Yugoslavia, our journalists, cameramen and photographers endured hardship and hazards to get their reports out fast to a waiting world.

Chief Executive, Peter Job, said: "Behind the news of conflict lies a fierce battle for supremacy amongst news organisations seeking the prized combination of fast and accurate reporting. Coverage was costly in 1991 but Reuters begrudges no spending on this vital activity, which contributed to a successful and profitable year in spite of adverse trading conditions."

REUTERS

Note The financial information for the year ended 31 December 1990 has been extracted from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under section 237 of the Companies Act 1985. Statutory accounts for the year ended 31 December 1991 will be delivered to the Registrar of Companies following the Annual General Meeting on 30 April 1992. For convenience the US dollar equivalents for both years have been converted at US$1.87, a rate prevailing on 31 December 1991. Each American Depositary Share represents three ordinary shares. Copies of the Preliminary Results Press Release can be obtained from the Manager, Corporate Relations, Reuters Holdings PLC, 85 Fleet Street, London EC4P 4AJ

COMMODITIES AND AGRICULTURE

Opec struggles to reach consensus on output cuts

By Deborah Hargreaves in Geneva

MINISTERS FROM the Organisation of Petroleum Exporting Countries were struggling last night to find common ground enabling them to agree a cut in production that will support world prices.

Meanwhile the oil market took fright at the hard task confronting the thirteen ministers. Oil prices dipped on reports of unease at the meeting when North Sea Brent crude for March delivery dropped by 22½ cents to $18.27½ a barrel.

The producer's club has focused on the need for a cut in output of 1.2m barrels a day to 1.5m b/d, representing a 5 to 7 per cent cut on overall production of 24.2m b/d. But ministers were in tense negotiations over the details last night.

Saudi Arabia is being pressed by some smaller producers to agree to a new round of production quotas which shows meaningful cuts in individual countries' production. The kingdom has in the past preferred a more informal approach and, in any case, insists that any new quotas should be based on current capacity rather than historical production.

Saudi Arabia is more sanguine over the outlook for oil demand in the second quarter and puts the call on Opec oil at 23m, and doers not want to cut its own output much more than 500,000 b/d from the present 8.5m b/d. On the other hand, Mr Celestino Armas, Venezuelan oil minister, believes demand will be lower than 22m b/d and that Opec should cut output accordingly.

Ministers from countries such as Venezuela and Algeria are under intense political pressure from home to secure an agreement that will give some fillip to oil prices. Many traders believe that a cut of 1.5m b/d will do little more than support prices and that the producers must cut by much more if they are to boost prices during the traditionally weak second quarter.

Gummer expects big changes in reform plan

By David Blackwell

THE EVENTUAL reforms to the EC Common Agricultural Policy will differ fundamentally from the commission's original proposals, Mr John Gummer, agriculture minister said yesterday.

The EC council of farm ministers, which met earlier this week, was becoming "more and more aware of the flaws in the commission's thinking", he told the National Farmers' Union AGM in London. The proposals from Mr Ray MacSharry, the agriculture commissioner, are designed to decouple income support for farmers from price support for farm output.

Assuring delegates that he would not agree to a reform package that discriminated against British farming, Mr Gummer said: "We are being asked to bear the burdens of a problem we did not create". He cited a 9,000 hectare Scottish sheep farm running 1,080 ewes; net profit on the sheep in 1990 was £1,067. Under current proposals it would have support cut by 30 per cent and could not be expected to survive.

Mr Gummer said the Gatt negotiations were trying to create a more liberal world market for agriculture. If the EC were to compete in that market, the EC needed to encourage the efficient farmer. Instead, the EC had brought forward proposals that would "weaken those farmers throughout the Community who have modernised their structures and adopted commercial methods to become modern and up to date".

He said it was those producers that were vital to the Community if it was to retain a competitive agricultural industry in the future. "Does it really make sense to penalise them for the efforts they have made? Suddenly to reward inefficiency instead!"

US price boost for Canadian lumber

By Bernard Simon in Toronto

A SURGE in North American lumber prices to near-record levels is bringing some welcome relief to Canada's hard-pressed forestry industry but signals an unusual degree of uncertainty about future timber supplies.

MacMillan Bloedel, the Vancouver-based forestry group, reported last week that lumber was the only one of its major products for which prices had advanced in the past year.

Despite the continuing lull in the US and Canadian economies, Madison's Canadian Lumber Reporter this week quotes the price on 2 x 4 inch planks from the west coast at US$240 per 1,000 board feet, up from $201 a month ago and $156 at this time last year. The jump, which has been mirrored on futures markets in Chicago, has brought prices within a few dollars of record levels.

The increase has occurred despite demand for timber remaining subdued. Mr Roy Carroll, president of Angus Forest Products, a Toronto-based wholesaler, says that "there's quite a lot of anticipation, but so far we haven't seen it take hold".

This "anticipation" reflects low interest rates and President Bush's proposal of a $5,000 tax credit for first-time home-buyers. Housing starts, which were running at an annual rate of 1.1m last December, are expected to climb to at least 1.2m this year.

Mr Tom Martin, a Chicago lumber analyst, says many timber dealers are covering their entire expected commitments for the spring construction season in the cash market to protect themselves against possible price increases in May or June.

Prices of the 2 x 10 inch planks used mainly in housing have risen even faster than the 2 x 4 inch. According to Madison's, they are changing hands at about $294 per 1,000 board feet, up from $170 a year ago.

But most of the impetus for the price jump has come from supply uncertainties. Late in 1991 the US Forest Service virtually stopped sales of timber from government-owned forests in Oregon and Washington in response to environmental pressures to protect the northern spotted owl and other wildlife. More than 5 per cent of total US timber production is expected to be withdrawn between the second half of 1992 and the end of 1993.

The future pricing of Canadian lumber has been thrown into doubt by a heated trade dispute stemming from Ottawa's removal last October of a 15 per cent export tax on shipments to the US. The tax was imposed in 1986 to forestall a US countervailing duty against low stumpage (tree-cutting) fees charged in provincially-owned forests.

Some provinces have subsequently raised these fees. But US lumber producers are now also complaining that British Columbia's curbs on unprocessed log exports amounts to a subsidy. By not allowing them to bid for the logs, the US industry contends that the restrictions keep prices low for Canadian sawmills.

The US International Trade Commission issued a preliminary ruling in December that the low stumpage charges were still injuring US lumber producers. The Commerce Department is due to issue a final ruling on March 5, which could be followed by a countervailing duty of as much as 20 per cent.

Mr Martin estimates that fears of a countervailing duty have added $10 to $15 per 1,000 board feet to current lumber prices. Sawmills in British Columbia warned customers last week that they will be expected to absorb any new duties.

Inquiry to delay Welsh terminal

By Deborah Hargreaves

A PUBLIC inquiry into plans by Hamilton Oil to build a gas processing plant and oil terminal at Point of Ayr in North Wales is likely to delay the £1bn project by at least six months.

Hamilton said this week that it was disappointed at the Welsh Office's decision to go ahead with the inquiry and that it would be looking at alternative sites.

Hamilton, which was acquired by Australia's BHP last year, had been looking to start production of oil and gas from its Hamilton field, off the coast of North Wales by late 1994. The company has a 45 per cent stake in the project, with Lasmo holding 30 per cent and Monument Oil & Gas 25 per cent. Mr Ed Blair, Hamilton's president, says the company is now looking to the middle of 1995 before output will begin.

The Hamilton field is estimated to contain some 750bn cubic feet of gas and between 100m and 200m barrels of oil. Mr Blair said the field would produce 200m cu ft of gas a day – all of which has been sold to PowerGen for its planned Connah's Quay power station. In addition, it will pump 30,000 to 50,000 barrels a day of oil.

The field will be developed with three production platforms: two for gas and one for oil, with two pipelines taking the gas and oil onshore to the processing plant. "The water is relatively shallow, it's close to shore and close to its market, which makes it fairly quick and cheap to develop," said Mr Blair.

● The New York Mercantile Exchange plans to launch unleaded gasoline futures within the next six months, reports Reuter from New York.

Latin America 'to double investment'

By Christina Lamb in Rio de Janeiro

LATIN AMERICA is expected to double its annual investments in the petroleum industry over the next four years, taking advantage of new flows of foreign capital into the region.

Mr Alvaro Teixeira, Secretary General of the Association of Latin American State Petroleum companies, said yesterday that new investments in exploration and production between 1992 and 1996 are likely to total $75bn, an annual average of $18.75bn, not including the petrochemical sector.

This compares with $8bn invested in 1990 and $9bn last year. The major part will come from Venezuela, the region's biggest producer, which is embarking on a series of joint ventures, followed by Mexico and Brazil, which has an ambitious programme to become self-sufficient by 1994.

Latin America has the world's second largest oil reserves after the Middle East and is at present responsible for 12 per cent of global production. According to Mr Teixeira the new investment drive will increase the region's production from 7.4m barrels per day to 10m b/d by the end of the decade.

He said: "Latin American reserves have increased 600 per cent over the last 25 years – more than any other region in the world. The potential of new discoveries is still very high because the area is still little explored".

Mr Teixeira described the petroleum sector as "one of the engines of growth of Latin America", which could "benefit greatly from the region's re-entry into the international financial community". He said it could be an essential tool for integration, adding that several countries including Brazil and Mexico were negotiating with Cuba for offshore exploration rights and shared use of terminals and refineries.

Russians deny responsibility for aluminium market slide

By Leyla Boulton in Moscow

RUSSIAN AUTHORITIES have been defending themselves against charges that they are damaging the West European aluminium market with cheap exports and expect counter-proposals from the European Commission tomorrow.

Mr Ruben Petrosian, deputy chairman of Raznoimport (the state organisation that handles exports of non-ferrous metals) claimed that "the USSR was not the main factor in price changes at the London Metal Exchange". Blaming recession in the West for the recent slump in prices, he said prices were firming again as western economies picked up. He claimed that Soviet exports had remained largely unchanged, at 700,000 tonnes a year between 1989 and 1991.

Mr Petrosian added that his organisation, which is now restricted to Russia, had proposed to the commission a review of the Russian licensing system to restrict exports, even though it had no control over exports by other republics such as Tajikistan and Ukraine.

But Mr Lev Lubensky, who heads the export department of Concernaluminium, a conglomerate that represents all Russia's aluminium smelters, painted a more likely picture of the situation. He said that a new licensing regime coupled with stiff new export tariffs introduced in January had already curbed exports. Russian exports, however, would rise again this month as a result of the recent relaxation of certain export tariffs, but not to last year's level because the strict new licensing system would remain in place.

But he also admitted that until domestic Russian labour, energy, and other production costs approached world levels, it would still remain profitable for Russian producers to sell aluminium at weakened world prices on the LME. Possibly attempting to cheer up western producers, he said the domestic Russian price of aluminium was rapidly rising. After the removal of all price controls on aluminium as part of Russia's January 2 price liberalisation, he said that the domestic prices of aluminium had leapt from Rb1,800-4,000 to Rb30,000-50,000 a tonne. At the market rate, the latter converts to $300-500 a tonne.

He also denied Mr Petrosian's suggestion that other republics had a significant presence on export markets, since Tajikistan accounted for only 15 per cent of former Soviet exports while Ukrainian exports were negligible.

He said Russian exports to the West had increased over the past two years because of two factors. Firstly, because of the collapse in exports to former Comecon countries, which had previously accounted for 70 per cent of Soviet sales abroad. Secondly, he blamed a proliferation of independent exports by joint ventures and enterprises, over which central authorities had no control.

The European Commission, which is now considering some sort of compromise to help western producers without closing the door to Soviet imports, stepped into the dispute after western European producers complained they were having to close down capacity as a result of the cheap imports.

The irony is that up-to-date western smelters with advanced environmental standards are threatened with closure by the output of badly outdated Russian smelters. Mr Lubensky noted, however, that western investors were showing no enthusiasm for helping to re-equip Soviet plants.

Tunisian mine venture gets IFC backing

By Kenneth Gooding, Mining Correspondent

TUNISIA'S FIRST first privately owned and managed mining project, at Bougrine in the province of Kev, has cleared a substantial hurdle by winning US$16.1m of financial support from the International Finance Corporation, the World Bank's private-sector financing offshoot.

A German financial institution, Deutsche Investitions und Entwicklungsgesellschaft, will also provide support with a loan equivalent to $11.3m.

Metall Mining, the Toronto-based subsidiary of Metallgesellschaft of Germany, owns 50 per cent of the project, which is expected to go into production at the end of 1993 at a total cost of $50m for the mine, mill and associated surface facilities.

The Bougrine mine is expected to create 200 jobs and have an annual output of about 38,000 tonnes of zinc and 8,000 tonnes of lead in concentrates.

Other shareholders in the venture include Tunisia's Office National des Mines; Société Tuniso Séodienne d'Investissement et de Développement; Banque Tuniso Koweitienne de Développement; and Banque de Développement Economique de Tunisie.

Indian jute producer breaks ranks

By Kunal Bose in Calcutta

AN INDIAN jute mill operator has broken ranks with the rest of the industry to end a work stoppage; and others are set to follow its lead.

Abandoning the long-established tradition of letting the Indian Jute Mills Association negotiate wage agreements on behalf of the industry, Delta Jute and Industries has signed an interim agreement with the trade unions for the reopening of its mill, which produces mainly high value jute items for export.

In its eagerness to resume production, Delta has conceded the wage demands of trade unions. As long as the rest of the industry remains strike-bound, the company will have no problem in paying the higher wages as the prices of jute goods have rocketed following the suspension of production by 54 mills in West Bengal 16 days ago.

Disturbed by Delta's move, however, Mr Bharat Jalan, chairman of IJMA, has announced that the remaining 27 member mills are now free to conduct negotiation with the unions and arrive at settlements. In fact emboldened by the Delta initiative, seven other units have already made settlement offers.

The consensus in the industry is that Delta will find the interim settlement a big burden whenever the strike in the industry ends. In the traditional jute mill industry, according to Mr Jalan, wages constitute as much as 40 per cent of the total cost of production of jute goods. If the economic demands of the unions were conceded wages would have a share of 55 per cent of production total costs, striking at the industry's viability.

Colombia cuts growers' coffee price by 5 per cent

THE COLOMBIAN coffee authorities have reduced the price paid to growers by 5 per cent in response to very low international prices, writes Sarita Kendall in Bogota. This is an unusual move for Colombia, which has tried to maintain domestic purchase prices despite the large deficit incurred by the National Coffee Fund.

Mr Jorge Cardenas, manager of the coffee growers' federation, said it was a critical moment for coffee on both the internal and foreign fronts: this year's harvest is running at about 16.7m bags (60 kg each), the highest ever, and though Colombia hopes to export some 13m bags, stocks will increase.

The federation and the regional coffee organisations are to pare spending to a minimum, while growers will be encouraged to renovate plantations in order to reduce the area harvested during the next two years. The aim is to cut production by 500,000 bags.

WORLD COMMODITIES PRICES

MARKET REPORT

Copper broke out of its recent range on the LME after a surge on Comex at midday took March above $1 a lb on technical buying. Three-month metal on the LME broke through resistance at $2,200 a tonne, and further gains are seen if prices hold above $2,210. However, commission house selling was evident above $2,200 and as there are no fresh fundamental developments, the market could retreat if it does not establish a new range above $2,220, dealers said. LME aluminium prices succumbed to late profit taking after an afternoon rally on talk that the giant Krasnoyarsk smelter, Russia's second largest, had threatened to close unless the new export regime imposed earlier this year is lifted. Nickel prices were mostly under pressure from liquidation and concern that recent Chinese purchases may be unwound. New York raw sugar futures were holding on to light gains by midday after falling to the lowest levels since August on Tuesday. Analysts said slack demand and ample supplies were keeping sentiment bearish. In Chicago wheat was again down at midday following limit losses on Tuesday. New York March cotton was ahead by the 2 cent limit at midday on aggressive buying.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.35-5.40w	-0.25
Brent Blend (dated)	$18.25-8.30w	-0.30
Brent Blend (Apr)	$18.10-8.15	-.275
W.T.I. (1 pm est)	$19.35-9.40w	

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$208-210	-1
Gas Oil	$172-173	-2
Heavy Fuel Oil	$65-66	
Naphtha	$185-187	-0.5
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$357.10	+1.1
Silver (per troy oz)♣	420.0c	+2
Platinum (per troy oz)	$368.25	+4.10
Palladium (per troy oz)	$86.25	+1.10
Copper (US Producer)	102.69c	+0.25
Lead (US Producer)	37 c	
Tin (Kuala Lumpur market)	14.53r	-0.24
Tin (New York)	266.0c	
Zinc (US Prime Western)	62.0	
Cattle (live weight)†	108.02p	-0.32
Sheep (live weight)†♠	102.41p	-0.29
Pigs (live weight)†	85.74p	-0.22
London daily sugar (raw)	$180.0y	-4.5
London daily sugar (white)	259.0y	-6.0
Tate and Lyle export price	214.0	-2.0
Barley (English feed)	£123.0z	
Maize (US No. 3 yellow)	£146.50	
Wheat (US Dark Northern)	Unq.	
Rubber (Mar)♥	50.00p	+0.25
Rubber (Apr)♥	50.25p	+0.25
Rubber (KL RSS No 1 Feb)	214.0m	-1
Coconut oil (Philippines)§	$715y	-20
Palm Oil (Malaysian)§	$397.5q	+12.5
Copra (Philippines)§	$460y	-5
Soyabeans (US)	£144.5z	-1.5
Cotton "A" Index	55.90c	-1.15
Wooltops (64s Super)	422p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jan/Feb u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Feb w-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	176.00	174.00	175.80	174.00
May	176.60	175.00	176.40	175.00
Aug	183.20	182.00	181.60	
Oct	184.80		181.20	

White	Close	Previous	High/Low	
Mar	255.7	[illegible]	258.0	251.5
May	262.7	262.5	263.5	261.5
Aug	267.7	267.0	267.5	266.0
Oct	[illegible]	258.4	[illegible]	[illegible]
May	260.7	262.9	259.0	256.0

Turnover: Raw 825 (326) lots of 50 tonnes. White [illegible]
Paris- White (FFr per tonne): Mar 1394.91, May 1457.47

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Mar	18.12	18.35	18.57	18.12
Apr	18.04	18.25	18.48	18.04
May	18.03	18.23	18.40	18.03
Jun	18.00	18.15	18.37	18.00
Jul	17.99	18.10	18.25	17.99
Aug	18.11	18.05	18.11	
IPE Index	[illegible]	18.32		

Turnover 34210 (26865)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Feb	173.75	175.75	175.50	172.00
Mar	169.50	172.00	172.25	169.25
Apr	167.00	169.50	169.75	167.00
May	165.50	167.75	168.00	165.50
Jun	166.50	168.75	168.25	166.25
Jul	168.50	170.00	170.00	168.50
Aug	170.25	172.75	170.50	170.25
Sep	172.50	174.75	173.00	172.25
Oct	174.75	176.75	175.50	174.00

Turnover 19203 (15486) lots of 100 tonnes

WOOL
The Australian Wool Corporation's market indicator, the most widely used overall guide to the course of the wool market,on February 12 reached 597 cents a Kg., exactly back to the closing level reached at the end of last season. Prices for some wools are well above that basis and others fall far short of it, but there is no doubt that the wool market is now seen as nearly certain to reach new peaks in the free market era. Demand is particularly strong for middle range categories, where drought has supplemented production cuts by farmers.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	675	[illegible]	681	676
May	702	717	718	701
Jul	727	744	746	726
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]

Turnover: [illegible]

COFFEE – London FOX [illegible]

POTATOES – London FOX [illegible]

SOYAMEAL – London FOX [illegible]

FREIGHT – London FOX [illegible]

GRAINS – London FOX [illegible]

PIGS – London FOX (Cash Settlement) [illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 17,016 lots
Cash	1246.5-6.5	1243-44		1237-7.5		
3 months	1273-74	[illegible]	1277/1260	[illegible]	[illegible]	144,[illegible] lots
Copper, Grade A (£ per tonne)						Total daily turnover 18,[illegible] lots

[illegible]

LONDON BULLION MARKET [illegible]

GOLD COINS [illegible]

TRADED OPTIONS [illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5460	5520	5580	5450
Apr	5415	5471	5520	5400
May	5365	5360	5430	5330
Jun	5265	5310	5365	5275

[illegible]

New York

[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	570/0	566/4	571/4	564/4
May	578/4	573/0	578/0	571/0

[illegible]

LONDON STOCK EXCHANGE

Shares weak as base rate hopes fade

By Terry Byland, UK Stock Market Editor

THE BANK of England's discouragement of optimism for early cuts in domestic interest rates left UK stocks to drift lower in thin trading yesterday. Investors were also cautious ahead of news from the opening day of the meeting of Opec ministers. Rumours of another Soviet coup, while not taken too seriously and soon denied, helped unsettle a market already lacking confidence.

Turnover in UK equities remained depressingly low, although there was no lack of specific features to keep traders on the alert. Increasing signs of stakebuilding in Lonrho, the mining and industrial group, brought suggestions that Charter Consolidated might be the interested party.

Lacklustre performances from Tokyo and from Wall Street, where the Dow managed a gain of a mere 2 points early in its new trading session, undermined London throughout the day, and helped prompt a minor sell-off towards the close.

After rallying at first from a loss of 12 points on the Footsie scale, the market turned down again to close at the day's lowest levels. The final reading put the FT-SE Index at 2,523.7, a loss of 13.4.

Account Dealing Dates		
*First Dealings:		
Jan 27	Feb 10	Feb 24
Option Declarations:		
Feb 6	Feb 20	Mar 5
Last Dealings:		
Feb 7	Feb 21	Mar 6
Account Day:		
Feb 17	Mar 2	Mar 16

*New-time dealings may take place from 8.30 am two business days earlier.

Once again, however, the more revealing picture of the market came from a Seaq volume total of only 448.1m shares; Tuesday's 432.7m shares reflected retail business of only £768.7m, still well below the £1bn benchmark of a financially healthy stock market session.

Revived concern over the fortunes of the property sector, both in the UK and in Japan, helped dampen investment confidence. P&O suffered a renewed selling bout on new worries over its property interests and there were losses in most of the leading property stocks.

The fall in trading volume is ascribed by market strategists to the prospect of a general election in the UK this Spring, probably at the beginning of April. The equity market appears to have settled into a trading range which may not be challenged unless the outcome of the election becomes more clearly predictable.

The lack of genuine investment interest left the market open to speculative excitement in a few selected areas, but traders admitted that the big investment institutions largely refused to play. Some building shares advanced, in spite of the discouragement of interest rate optimism, which received a further twist when similar hopes in Spain were also damped down.

The international leaders showed a mixed pattern, drawing little solid benefit from the firmness of the US dollar in which many of their profits are received. ICI stood out firmly but Wellcome, Glaxo and BAT Industries all gave ground.

The stock market turned cautious at the close as some traders backed away in front of the announcement today of the December average earnings data for the UK. Pay proposals this week for some public sector workers, including teachers and the armed forces, have revived fears that wage inflation may continue to hinder recovery from the economic recession still bearing down on domestic industry.

The market also faces statistics today on UK employment and mortgage repossessions, while tomorrow brings the domestic inflation numbers for January. Equity analysts expect inflation to have levelled out, or at best fallen only very slightly.

Selling bout in P & O

SHARES in P & O fell sharply, losing 22 early in the session on market talk of developments at Chelsfield, the private company with which P & O jointly owns the Pall Mall Properties venture.

P & O, now in its closed reporting season ahead of the next profits statement, would say only that it did not "comment on market rumours". However, a leading agency service appeared to quote a P & O source as saying: "There is no truth in the rumours." This helped to steady nerves in the stock market, and the shares came off the bottom to end 12 down at 398p on turnover of 5.6m.

After the market closed, Mr Elliot Bernard, chairman of Chelsfield, said: "All we are doing is raising funds to complete the demerger of Pall Mall Properties, as already publicly stated."

Reuters busy

The announcement of full-year results by Reuters Holdings, the international news and information organisation, prompted a highly volatile trading session for the stock. The shares were 34 down at one stage but closed a penny firmer at 1104p with more than 3m traded.

The stock had risen strongly in recent days ahead of the figures and most observers said the company would need to pull something out of the hat if the rise were to be sustained.

The shares were lower at the market opening yesterday and fell sharply when it transpired that the figures were directly in line with analysts' forecasts and that sales growth was predicted to be slower this year than last. Many houses, particularly Morgan Stanley, were offering stock, but US investment bank Goldman Sachs bought aggressively.

Then, at the company's presentation, analysts took a more considered view of the figures, particularly the higher than expected cash reserves of £500m. Also, managing director Mr Peter Job said he was confident that Reuters' Dealing 2000-2 automatic dealing system would be launched soon following successful site tests. The shares recovered and Warburg was able to offer shares at 1110p after bidding at 1080p.

The market buzzed with stories that a stakebuilder had been at work in Lonrho, the troubled conglomerate, and that a shareholding in excess of 3 per cent and possibly as high as 5 per cent was about to be announced. The suggestions inevitably triggered rumours of an imminent bid and the shares responded by moving up 5 to 127p with a hefty 4.9m traded. Dealers also noted good buying in the traded options market.

There has been very heavy turnover in Lonrho since it revealed sharply reduced profits and a cut in the dividend on January 23. A stakebuilder could have taken advantage of this weakness and the ready availability of stock. Lonrho plummeted before and after the dividend cut, slumping from the 200p mark in December last year to a low of 108p at one point.

Earlier in the session, there were rumours that Charter Consolidated, the industrial materials group, was about to launch a bid for Lonrho and would help to finance such a move by selling its near 39 per cent holding in Johnson Matthey, the precious metals refining group, to Rustenburg, one of the world's biggest platinum producers. Charter held at 527p, while Johnson Matthey was a shade easier at 368p.

Leading property shares were badly hit by the nervousness surrounding P & O and Chelsfield. One trader said: "The sector is very nervous and it just takes a story like this to put it into reverse." The weakest stocks included MEPC, down 10 at 387p, Land Securities, off 10 at 457p, and Hammerson Ordinary, 12 cheaper at 485p.

Poor sentiment over British Aerospace saw the shares fall 12 to 270p, a five-year low, on turnover of 4.5m. There are worries that the current weak oil price may delay the placing of firm orders, particularly the Al Yamamah 2 contract from Saudi Arabia. Fears for the 1992 dividend have also surfaced.

British Airways continued to bask in the glow of Tuesday's better than expected results, adding 6 at 254p on 10m traded.

Lloyds Bank underperformed the sector, in spite of a broker buy recommendation, and closed 8 down at 389p on good turnover of 2.8m as the market responded to stories that Lloyds is sole banker to Chelsfield, the privately owned property development group.

Royal Insurance and Sun Alliance, badly hit by recent profits downgrades, staged a minor rally, the latter boosted by a recent heavyweight research document from Smith New Court. Royal put on 9 to 229p and Sun 2 to 271p.

A Kleinwort Benson review of forthcoming preliminary results from the life assurance sector prompted keen interest in Legal & General and Lloyds Abbey Life. The latter improved 3 to 388p as Kleinwort increased its final dividend estimate to 6.3p, up 5 per cent on last year, following Lloyds Abbey's unexpectedly good new business figures. Kleinwort is more cautious on L & G, which lost 8 to 350p.

Racal Electronics dipped 1½ to 52p with turnover remaining high at 6.3m. Electronic Data, one of the market's high-flyers recently, attracted profit-taking and slid 73 to 440p.

Talk that a large block of Taylor Woodrow stock was overhanging the market left the shares 6 down at 106p, the lowest for more than five years. The shares have tumbled recently as analysts chopped profits estimates for the group to take in expected land provisions. Morgan Stanley has shifted its 1991 profits estimate from £25m to zero, while Panmure Gordon recently cut its 1991 figure from £32m to £20m.

Wellcome fell 15 to 1103p ahead of a television programme expected to be critical of its Aids treatment Retrovir, or AZT. Two weeks ago Wellcome shares jumped 24 after the company announced that a study had shown Retrovir could be used at an earlier stage of human immunodeficiency virus (HIV) infection.

Selling of Glaxo American Depositary Receipts in New York by the US house Bear Sterns was said to be behind a fall, for the shares in London, of 12½ to 804½p.

Tobacco groups BAT Industries and Rothmans International continued to suffer on fears that the European Parliament would back an EC plan to ban all tobacco advertising, except at the point of sale. BAT, also depressed by the expected effect of US floods on its insurance subsidiary Eagle Star, weakened 14 to 687p. Rothmans fell 14 to 1074p.

Buy notes on Compass Group pushed it 3 higher to 440p. Paribas, the French-owned broking house, pointed to Compass's increased hospital occupancy levels, while Nomura drew attention to the potential for catering contracts.

Leisure group Ladbroke continued to attract attention ahead of its results, due next month, UBS Phillips & Drew confirming "moderate" business in one of their recommended stocks. The shares added 4 at 219p on turnover of 2.8m.

Guinness rose 2 to 574p, supported by a strong buy recommendation from Shearson Lehman Brothers, which emphasised growth in profits from the beer division. Shearson believes beer, representing 27 per cent of profits, will outperform spirits in the near future. Nomura also recommended Guinness recently, expecting the company to outperform the market over the next five years.

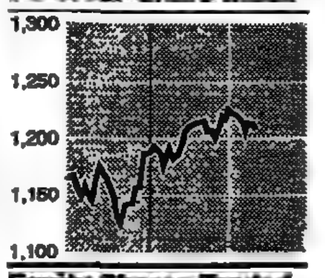
Food retailer Kwik Save receded 7 to 573p as County NatWest, continuing the recent trend among brokers, cut its profits forecast for the second time in a week, this time by £5m to £113m.

Specialist chemical and industrial company BTP lost 8 to 244p after announcing a one-for-six rights issue at 205p to raise £28.3m to pay debt and cover the cost of new acquisitions. Hoare Govett's chemicals analyst Mr Martin Evans changed his recommendation on the stock from "undervalued" to "buy" and said that after the dilution of the new shares was taken into account the price had only declined by a penny.

MARKET REPORTERS:
Christopher Price,
Peter John, Colin Millham,
Joel Kibazo, Steve Thompson.

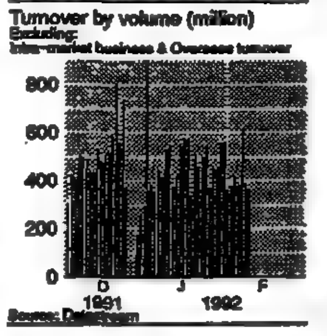
■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 23.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (88).
BRITISH FUNDS (12) Tr. 2pc IL 1992, Ex. 12¼pc 1999, Tr. 10½pc 1999, Cv. 10¼pc 1999, Cv. 9pc 2000, Tr. 13pc 2000, Tr. 11½pc '01-04, Cv. 9½pc 2005, Tr. 9pc 2012, Tr. 2pc IL 1994, Tr. 2pc IL 1996, Tr. 2½pc IL 2001, OTHER FIXED INTEREST (6) African Dev. 11¼pc 2010, Asian Dev. 10¼pc 2009, Hydro Quebec 15pc 2011, Inter-Amer. 12½pc 2003, Do. 9½pc 2015, Manchester 11½pc 2007, AMERICANS (2) Honeywell, Ingersoll-Rand, BANKS (1) HSBC, BUSINESS SERVICES (2) Barbour Index, Cosmic, Sherwood Computer Servs., CHEMICALS (3) Cambridge Isotope Labrs., MTM, Yorkshire, ELECTRICALS (2) China Light, Merlin-Swain, ELECTRONICS (4) Druck, Elect. Data Procg., Hoskyns, Microvitec, Sage, ENGINEERING GENERAL (4) Black & Decker, Halma, Relort, Thames Tech., FOOD MANUFACTURING (2) Clarke, Dalepak, FOOD RETAILING (1) Park, HEALTH & HOUSEHOLD (3) AAH, Aeos R, UniChem, HOTELS & LEISURE (4) Aircars, Boosey & Hawkes, City Centre Restaurants, Stanley Leis., INVESTMENT TRUSTS (17) Aberforth Smlr. Co's C, Altrust Prfd. Zero Prf., British Assets 8pc Cv. 1995, China & Eastern, Drayton Blue Chip Zero Prf., Drayton Recovery Prfd. Growth, Electric & Gen., Fleming Emrg. Mkts., Kleinwort High Inc. Zero Prf., Murray Split Cap. Zero Prf., Pacific Assets, Do. Wrnts., Schroder Korea Fund, Scot. Natl. Zero Prf., TR Tech. Zero Prf., Templeton Emrg. Mkts., Whitbread Inv., MEDIA (4) Central ITV, Headline Book Pubs., [illegible] (3) Flogas, Lionheart, Platignum, MOTORS (1) Davenport Vernon, OIL & GAS (1) Sidlaw, OTHER FINANCIAL (4) Edinburgh Fund Mangrs., Secure Trust, Spanish Smlr. Co's, Swire Pacific A, PACKAGING, PAPER & PRINTING (1) [illegible], PROPERTY (1) CMW, STORES (1) [illegible], TELEVISION NETWORKS (1) Securicor A NV, TRANSPORT (3) British Airways, Cathay Pacific, [illegible]
NEW LOWS [illegible]
[illegible] Hodson, Silvermines, HOTELS & LEISURE (2) Allied Leis., Ryan Hotels, INSURANCE BROKERS (1) Sturge, INVESTMENT TRUSTS (5) Gartmore Value, M & G Inc. Geared Units, River & Merc. Extra Inc. Wrnts., MEDIA (1) Shandwick, MISCELLANEOUS (4) Eurocopy, Fitzwilton, Future, Novalal, OIL & GAS (2) Oliver Res., Triton Europe, OTHER FINANCIAL (1) Burlington, PROPERTY (6) Asda Prop., Hammerson A, London Secs., MEPC, Saleland, STORES (2) Austin Reed, Mallett, TEXTILES (3) Alexandra Workwear, Lister, Vinst, TRANSPORT (1) P & O Dfd., MINES (2) Anglesey, Cluff Res.

FINANCIAL TIMES STOCK INDICES

	Feb 12	Feb 11	Feb 10	Feb 7	Feb 6	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	86.37	86.29	86.25	86.17	86.19	85.29	86.37 (12/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	101.17	100.93	100.95	100.99	100.99	93.26	101.17 (12/2/92)	90.59 (2/1/91)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1983.3	1984.2	1958.9	1945.1	1951.2	1791.7	2108.3 (2/9/91)	1605.3 (18/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	144.3	141.9	139.7	141.7	145.2	136.1	222.5 (11/7/91)	127.0 (22/2/91)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2523.7	2537.1	2538.4	2517.2	2534.3	2267.8	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1166.76	1172.23	1173.05	1168.36	1172.04	1041.27	1198.60 (3/9/91)	938.62 (16/1/91)	1198.60 (3/9/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.85	4.85	4.86	4.89	4.85	5.35				
●Earning Yld %(full)	6.92	6.91	6.93	6.97	6.92	11.15				
●P/E Ratio(Net)(*)	18.13	18.14	18.11	17.99	18.12	10.84				
SEAQ Bargains 4.45pm	26,976	28,352	29,394	35,927	31,091	31,073				
Equity Turnover(£m)†	-	768.7	800.4	1002.4	830.50	824.05				
Equity Bargains†	-	29,172	29,108	43,217	34,585	30,438				
Shares Traded (ml)†	-	388.4	389.5	514.8	385.5	450.0				

Ordinary Share Index, Hourly changes — Day's High 1987.7 — Day's Low 1956.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1982.8	1984.4	1957.8	1959.1	1965.5	1962.5	1961.3	1963.5	1967.5

FT-SE 100, Hourly changes — Day's High 2537.2 — Day's Low 2523.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2532.8	2534.2	2528.0	2529.5	2531.9	2527.6	2525.1	2525.0	2529.1

FT-SE Eurotrack 200, Hourly changes — Day's High 1171.41 — Day's Low 1163.96

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1171.41	1170.70	1169.97	1169.23	1169.23	1167.73	1168.02

GILT EDGED ACTIVITY

Indices*	Feb 11	Feb 10
Gilt Edged Bargains	88.1	79.5
5—Day average	85.0	84.5

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TURNOVER in stock index futures fell as traders contemplated the poor economic outlook and uncertainty over the prospect of a fall in the UK interest rates remained.

The cautious opening of the March contract briefly gave way to buying, mainly by US houses, leaving independent traders short and sending the contract advancing to 2,556.

That momentum was not sustained and Wall Street's sensitive opening sent March down once again, although a brief rally was noted towards the market close as Wall Street steadied.

Turnover had reached only 4,687 contracts by the close as March closed at 2,539, down 11 on the previous session and just ahead of its estimated fair value premium to cash of around 10. In traded options, turnover, though poor at 22,487 contracts, was ahead of Tuesday's meagre 17,173. The FT-SE 100 Index option traded 7,256 contracts.

BT was the busiest stock option with 2,419 lots. The May 330 calls and May 330 puts were the busiest series with UBS Phillips & Drew said to have done a cross in the stock options. This was followed by Barclays, which traded 1,250 contracts with a call spread said to have been part of the day's trades.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+or -	1991/92 High	1991/92 Low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
2pc IL 1992‡‡	[illegible]	+$\frac{1}{16}$	[illegible]	125$\frac{7}{16}$	2.01	3.03
8pc 1992 ‡‡	[illegible]	—	[illegible]	95$\frac{1}{2}$	[illegible]	9.66
10½pc Cv 1992‡‡	[illegible]	—	[illegible]	98½	10.40	10.14
3pc 1992	[illegible]	—	[illegible]	91$\frac{5}{16}$	3.06	8.35
Exch 12¼pc 1992	101¼xd	—	102$\frac{3}{4}$	100$\frac{3}{4}$	12.10	9.65
13½pc 1992	[illegible]	—	104¼	101$\frac{1}{2}$	13.20	9.81
Treas 8¼pc 1993	[illegible]	—	[illegible]	94	8.34	9.42
10pc 1993‡‡	[illegible]	—	[illegible]	[illegible]	[illegible]	9.59
12½pc 1993‡‡	[illegible]	—	[illegible]	102¼	12.04	9.55
Funding 6pc 1993‡‡	[illegible]	—	[illegible]	90¾	6.34	8.59
Treas 13¼pc 1993‡‡	[illegible]	—	[illegible]	105¼	12.80	9.54
8½pc 1994	[illegible]	—	[illegible]	92[illegible]	[illegible]	9.33
14½pc 1994‡‡	[illegible]	—	111¼	106[illegible]	13.30	[illegible]
Exch 13½pc 1994	[illegible]	—	108	105[illegible]	12.54	[illegible]
Treas 10pc Ln 1994‡‡	101[illegible]	—	101[illegible]	96[illegible]	9.88	[illegible]
Exch 12½pc 1994	[illegible]	—	107¼	103¼	11.70	[illegible]
Treas 9pc 1994‡‡	[illegible]	—	[illegible]	93¼	[illegible]	[illegible]
12pc 1995	[illegible]	—	[illegible]	105[illegible]	11.30	[illegible]
Exch 3pc Gas 90-95	[illegible]	—	89	82¼	3.36	[illegible]
10¼pc 1995	[illegible]	—	[illegible]	96[illegible]	10.02	[illegible]
Treas 12¾pc 1995‡‡	[illegible]	—	[illegible]	105[illegible]	11.58	[illegible]
14pc 1996	[illegible]	—	114[illegible]	109[illegible]	12.30	[illegible]
9pc 1992-96‡‡	[illegible]	—	[illegible]	92[illegible]	9.02	[illegible]
15¼pc 1996‡‡	118	—	119[illegible]	115[illegible]	12.92	[illegible]
Exch 13¼pc 1996‡‡	112[illegible]	—	112[illegible]	108	11.78	[illegible]
[illegible]	[illegible]	—	[illegible]	[illegible]	9.79	[illegible]
Five to Fifteen Years						
Treas 13¼pc 1997‡‡	114	−$\frac{1}{16}$	114[illegible]	108[illegible]	11.62	[illegible]
Exch 10½pc 1997	[illegible]	−$\frac{1}{16}$	[illegible]	97¼	10.07	[illegible]
Treas 8¾pc 1997‡‡	97[illegible]	—	97[illegible]	88[illegible]	8.97	[illegible]
Exch 15pc 1997	122[illegible]	—	[illegible]	117	12.26	[illegible]
9¾pc 1998	101[illegible]	—	101[illegible]	93[illegible]	[illegible]	[illegible]
Treas 6¾pc 1995-98‡‡	[illegible]	—	[illegible]	89¼	7.32	[illegible]
15½pc '98‡‡	128¼	—	128¼	121¼	[illegible]	[illegible]
Exch 12pc 1998	112[illegible]	+$\frac{1}{16}$	112[illegible]	104¼	10.70	[illegible]

BRITISH FUNDS - Cont.

Notes	Price £	+or -	1991/92 High	1991/92 Low	Yield Int.	Yield Red.
Treas 9½pc 1999‡‡	101½	+$\frac{1}{16}$	101½	92[illegible]	9.37	9.32
Exch 12¼pc 1999	119[illegible]	+$\frac{1}{16}$	119[illegible]	105[illegible]	10.76	9.52
Treas 10½pc 1999	108[illegible]	+$\frac{1}{16}$	[illegible]	97[illegible]	9.69	9.39
Conversion 10¼pc 1999	104½	+$\frac{1}{16}$	[illegible]	95[illegible]	9.81	9.40
9pc 2000‡‡	98[illegible]xd	+$\frac{1}{16}$	98½	89¼	9.13	9.25
Treas 13pc 2000	119[illegible]	+$\frac{1}{16}$	119[illegible]	110½	10.89	9.59
10pc 2001	104xd	+$\frac{1}{16}$	104[illegible]	94[illegible]	9.62	9.33
14pc '98-01	119¾	+$\frac{1}{16}$	119[illegible]	113[illegible]	11.69	9.60
9¾pc 2002	102xd	+$\frac{1}{16}$	103	92[illegible]	9.47	9.29
9¾p 2002 C	27[illegible]	+$\frac{1}{16}$	28	25	9.47	9.29
10pc 2003	106xd	+$\frac{1}{16}$	106[illegible]	94[illegible]	9.62	9.29
Treas 11½pc 2001-04	111[illegible]xd	+$\frac{1}{16}$	111[illegible]	102	10.39	9.53
Funding 3½pc '99-04	62¾	+$\frac{1}{16}$	63	53[illegible]	5.57	8.36
Conversion 9½pc 2004	101[illegible]	+$\frac{1}{16}$	101[illegible]	90[illegible]	[illegible]	9.26

BRITISH FUNDS - Cont.

Index—Linked	Notes (b)	Price £	+or -	1991/92 High	1991/92 Low	Yield (1)	Yield (2)
Treas. 2pc '94	(102.9)	164[illegible]	+$\frac{1}{16}$	164[illegible]	115[illegible]	2.46	3.80
2pc '96	(67.9)	170[illegible]xd	+$\frac{1}{16}$	170[illegible]	168[illegible]	[illegible]	[illegible]
2½pc '01	(78.3)	146[illegible]	+$\frac{1}{16}$	146[illegible]	137[illegible]	3.88	4.19
2½pc '03	(78.8)	142[illegible]	—	142[illegible]	[illegible]	3.97	4.22
2pc '06	(69.5)	144xd	+$\frac{1}{16}$	144	[illegible]	4.06	4.28
2½pc '09	(78.8)	131[illegible]	—	131½	124[illegible]	4.11	4.29
2½pc '11	(74.6)	135[illegible]xd	—	135[illegible]	128[illegible]	4.12	4.29
2½pc '13	(89.2)	111[illegible]xd	—	111[illegible]	105[illegible]	4.12	4.28
2½pc '16	(81.6)	118[illegible]	—	118[illegible]	113[illegible]	4.12	4.27
2½pc '20	(83.0)	113[illegible]	—	113[illegible]	109[illegible]	4.13	4.26
2½pc '24‡‡	(97.7)	94½	−$\frac{1}{16}$	96¼	90[illegible]	4.11	4.23

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1991: 133.5 and for December 1991: 135.7.

OTHER FIXED INTEREST

[illegible]

APPOINTMENTS

Branching out

NatWest, one of Britain's top two high street banks, has completed the rejuvenation of its top management team with Martin Gray's promotion to head its core UK branch banking operation.

The 45-year-old Gray was the logical candidate to become chief executive, UK branch business (UKBB), since he served as general manager UK branch business under Derek Wanless who was chief executive financial services (UKFS). Just over a fortnight ago Wanless, aged 43, was made one of two new deputy group chief executives and given considerable new responsibilities.

Under the latest reorganisation groups, UKFS disappears and although Gray takes on the main responsibilities, several subsidiaries, such as Lombard North Central, Ulster Bank and Isle of Man Bank, become part of Bernard Horn's international business portfolio. Trevor Blackler, aged 52, currently deputy general manager UKBB, becomes general manager, operations of Gray's new empire.

Like Wanless, Gray is a Northerner. He was born in Leeds and started his career there. However, unlike Wanless, who got a first class honours degree from Cambridge, Gray has worked his way up from counter clerk.

■ S G WARBURG has picked *David Rowland, chairman and* chief executive of Sedgwick Group, Europe's biggest insurance broker, to join the board as a non-executive.

Rowland, 58, fills a gap after both Tony Salomon, former president and chief executive of the Federal Reserve Bank of New York and Gualtharus (Hugh) Kraijenhoff, supervisory board chairman of Akzo, retired last year.

Sir David Scholey, Warburg's chairman, describes Rowland as "a businessman of very considerable distinction in a very relevant area of business".

Rowland, who has just produced the radical report on reform at Lloyd's, was at the helm of Stewart Wrightson for seven years until shortly after it merged with Willis Faber in 1987. He has known Warburg well for many years; S G Warburg's then parent, Mercury Securities, held a 29 per cent stake in Stewart Wrightson until 1985.

Other non-executive appointments have been announced:
■ Brian Firmin at GREYFRIARS ADMINISTRATIVE SERVICES.
■ Hal Jackman resigns from REFUGE Group following his appointment as Lieutenant Governor of Ontario.
■ Martinus van der Vorm at TIP EUROPE; Charles Gonszor has resigned.
■ Baroness Denton resigns from TRIPLEX LLOYD.
■ Eric Kinder, chairman of Smith & Nephew, as chairman of BRUNNER MOND HOLDINGS, bought by Pentrice from ICI last year.

Hierarchy at BTR

BTR, one of Britain's most successful but more enigmatic corporate giants, has appointed its first chief operating officer and forgot to tell anyone outside the company. Robert Faircloth, 54, the new occupant of the post, will report directly to chief executive Alan Jackson and will be based at BTR's Silvertown House headquarters in London.

Edgar Sharp, 58, executive director America, and Mike Smith, 51, executive director Europe, will report to Faircloth. Until now BTR has had a relatively flat corporate structure but the promotion of Faircloth, who held the same European title as Smith, suggests that the company's management structure is becoming more hierarchical. Hanson, for example, has four chief operating officers, two of whom are based in the US.

Faircloth's appointment was made on November 22, but word has only leaked out publicly in the past few days. BTR had notified its own staff internally in November, but said that it saw no need to publicise the fact by reporting it to the Stock Exchange.

Financial moves

■ CHARTERED WESTLB has appointed Denis Keenlyside director in charge of the forfaiting division, and Jo Keighley director in charge of securitisation products; Manfred Pühringer is director of corporate finance in Düsseldorf.
■ Robert Stoughton is appointed general manager of the BANK OF NEW YORK's London office; his predecessor Geoffrey Bennett returns to New York to take responsibility for the bank's business in continental Europe.
■ Tony Brown is appointed director, corporate finance at the London office of BRITISH LINEN BANK.
■ Peter Pejacsevich has been appointed chief investment officer and a director of JOHN GOVETT; he moves from Bessemer Trust.
■ Christopher Mills has become a director of JERMYN INVESTMENT CO.
■ Richard Redmayne is appointed a director of SMITH NEW COURT Corporate Finance; he moves from County NatWest Wood McKenzie.
■ Mark Adams is appointed a director of NOMURA Capital Markets; he moves from Paribas.
■ Hugh Corbett is moving from *Salomon Brothers to become* a director of UBS Phillips & Drew's debt division research group.

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NOTICE OF PREPAYMENT

Province of Newfoundland
(Canada)
US$ 50,000,000 10% Bonds due 1994

In accordance with paragraph entitled "Prepayment" of the Terms and Conditions of the Bonds, notice is hereby given that the Province of Newfoundland will redeem, on March 15, 1992, the total amount remaining outstanding of the above-mentioned Bonds at 100% of their principal amount (i.e. US$ 42,000,000).

Payment of interest due on March 15, 1992 and repayment of principal will be made in accordance with the Terms and Conditions of the Bonds.

Interest will cease to accrue on the Bonds as from March 15, 1992.

Luxembourg, February 13, 1992

The Fiscal Agent
KBL
Kredietbank Luxembourg

Dong-A Pharmaceutical Co Ltd
(the "Company")
(Incorporated in the Republic of Korea with limited liability)

U.S. $25,000,000
3½ per cent. Convertible Bonds due 2006
(the "Bonds")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that as of 3rd January, 1992, being the Effective Date, the Bonds may lawfully be converted into Common Shares of the Company under applicable Korean law. The Conversion Period in relation to the Bonds shall commence on the date of this notice.

Notice is also given that the Company has declared a dividend in shares and cash to holders of its common shares registered on the shareholders list as of 31st December, 1991. Under mandatory provisions of Korean law, the proposed dividend will be submitted for approval to a general meeting of shareholders to be held on 27th February, 1992.

A further Notice will be given to the holders of the Bonds of any adjustment to the Conversion Price in relation to the Bonds as a result of such share dividend.

13th February, 1992

Dong-A Pharmaceutical Co Ltd

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	35 11/16 xd	+3/16	36 5/8	20 7/8	15,288	1.6
♥Allegheny & W	328p	+12	385p	218p	178.4	5.1
Amdahl	1027pxd	−81	1871p	667p	1,148	0.5
Amer Cyanamid	33	+1/4	42 1/8	25 3/4	3,077	2.6
Amer Express	12 1/8 xd	+3/8	17 7/8	9 11/16	5,709	4.7
Amer T & T	20 13/16 xd	+7/16	24 1/2	15 1/4	27,348	3.5
Ameritech	34 5/8	+1/2	38 7/8	32 1/2	18,160	5.5
BankAmerica	22 1/4 xd	+7/16	28 1/16	12 3/16	4,837	3.3
Bankers NY	34 1/4 xd	−1/2	38 3/16	20 1/16	2,814	8.0
Bell Atlantic	25 1/2 xd	+1/2	30 1/2	24 1/8	10,029	5.6
BellSouth	27 1/8	+1/8	31 1/4	25	13,156	5.7
♥Bethlehem Steel	7 1/4 xd	−1/16	11 1/4	6 5/16	332.6	—
Bowater	1388p	+42	1839p	1042p	491.7	4.9
CPC	45 7/8 xd	−11/16	54 13/16	37 11/16	3,467	2.7
California Engy	659p	+13	939p	420p	128.0	—
Campbell Soup h	21 7/8	+1/4	25	14 1/8	5,488	1.6
Chase Manhattan	13 1/16 xd	−1/16	13 1/8	5 3/16	1,776	5.2
Chrysler	8 5/8 xd	−1/8	9 3/16	5 3/8	2,472	3.9
Citicorp	8 13/16 xd	—	10 3/8	4 5/8	3,070	—
Colgate-Palm	26 5/8 xd	+3/16	27 5/8	21 3/16	3,872	2.2
Cont'l Bank	617p	−5	929p	438p	825.6	5.5
Dana	17 3/4 xd	+3/8	21 5/8	13 3/8	729.6	5.1
Data General	836p	—	1282p	203p	175.5	—
Dial	27 5/8 xd	+5/8	27 7/8	12 7/8	1,096	2.9
Dun & Brad	31	+1/2	31 5/8	20 3/4	5,532	3.9
Eaton	38 1/2	+1/8	40	24 1/4	1,311	3.2
Echlin	8 1/2 xd	+1/16	8 13/16	5 1/2	474.7	4.9
FPL	19 3/4 xd	+1/16	20 1/4	14 1/2	3,294	7.0
Fluor	25 7/16 xd	+3/16	30 3/16	17 7/16	2,059	0.9
Ford Motor	19 1/8 xd	+1/2	23 1/4	13	9,053	3.0
Gen Elect	42 3/4 xd	+5/16	45 13/16	28 3/16	37,046	2.7
♥General Host	503p	−52	586p	270p	—	4.0
Gillette	28 1/8 xd	+3/16	45 3/4	20 7/8	6,149	1.2
Hasbro	23 3/8	—	24	7 13/16	1,340	0.6
Honeywell	41 5/8 xd	+7/8	41 5/8	21 3/4	2,983	2.2
Houston Inds	23 1/4	+1/4	24 3/8	17 7/8	2,997	7.2

BUILDING MATERIALS - Cont.

Notes	Price	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
■Redland H	484	−1	560	416	1,577	7.2	13.4
Roskel	69	—	78	61	9.45	9.1	6.7
■Rugby	193	+2	205	135	500.8	4.5	14.2
Russell (A)	86	+1	99	72	20.1	3.3	15.7
‡SWP	7 1/2	—	22	7 1/4	1.66	10.7	3.4
‡Sandell ‡	30	—	92	23	0.75	‡	—
St Gobain FFr	£49 1/4	−1/2	£60 1/4	£33 3/8	3,344	4.7	4.8
Sharpe & Fisher	76	—	96	70	18.7	7.0	73.7
‡Shaw (A)	67	—	62	46	4.99	9.6	20.2
Sheffield Insuls	78	—	181	76	18.9	9.2	7.4
■Spring Ram †H	108	−5	181	62 1/2	666.5	0.2	28.7
■Stanmin H	12 3/4	—	22	12 1/2	42.3	3.1	28.4
■Steetley ◆	344	+4	424	252	936.4	5.4	17.8
■Tarmac	119 1/2	+1/2	283	95	871.2	12.6	13.5
‡Tilon	86	—	95	40	10.3	4.6	10.2
■Travis Perkins	208	—	281	175	211.4	5.1	20.7
‡Tudor ‡	39	—	38	22	1.88	‡	9.3
Ward Group ‡	82	—	208	82	28.9	‡	3.6
■Wickes	65	+2	75	27	177.9	—	—
■Wishaw	11 1/4	—	11 3/4	4 3/4	8.84	3.6	18.4
■Wolseley	416	+1	432	290	983.9	3.8	18.7
Worcester †	140	—	189	87 1/2	37.8	3.8	19.0

BUSINESS SERVICES

Notes	Price	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's	P/E
■ADT $	390	−8	1210	280	498.6	26.0	2.8
AFP	12 1/2	—	73	12	57.9	—	—
‡ASB Group	8	—	26	6	1.85	—	—
‡ATA Select	13	—	21	11	2.87	10.3	—
‡ATP Commx	3 1/2	—	7	3 1/2	8.44	—	—
Adam & Harvey W	285	—	288	188	8.77	6.5	3.5
‡Air London	121	—	128	68	18.7	3.5	13.6
African Lakes	60	—	81	61	4.26	4.2	9.7
‡Assoc Energy	4#	—	8	2 1/2	1.11	—	—

CONTRACTING & CONSTRUCTION - Cont.

ENGINEERING - GENERAL - Cont.

HEALTH & HOUSEHOLD - Cont.

INVESTMENT TRUSTS - Cont.

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING AEROSPACE

ENGINEERING GENERAL

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1991/92 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scot National Inc.		101	-½	118	97	11.8	–	–
Cap		31	-2	69	31	–	29.0	-27.0
Stepped Pf		133	–	133	113	6.3	–	–
Zero Div Pf		172½	+½	172½	141	–	–	–
Warrants		8	–	19	8	–	–	–
Scot Value	a	55	–	55	46¼	3.8	56.5	2.7
Sec Alliance		1191	+2	1255	882	[illegible]	[illegible]	[illegible]
Second Market	g	222	-1	238	199	4.6	259.3	14.4
Sec Tst Scot	†	68½	-½	78	57½	6.8	71.9	4.8
Select Assets		100	–	102	71	1.2	132.9	24.8
Eq Ind Sert		113	–	127	89	4.7	–	–
Eq Ind Serll		113	–	121	89	8.1	–	–
Shires	†	223	–	260	181	10.6	225.3	1.0
11pc Cv Ln '03/04		£108½	+1	£128½	£97½	10.1	–	–
Siam Select		88	–	99	76	1.6	101.4	12.3
Warrants		19	-1	31	19	–	–	–
Smaller Cos.		71	–	93	60	1.3	84.6	16.1
Warrants		13	–	25	9	–	–	–
Sphere Inc.		17	–	33	17	–	23.0	28.2
Zero Div Pf		69¼	–	69¼	58¾	–	–	–
Warrants		9¼	–	9½	0¾	–	–	–
Strata		158	–	159	104	1.2	185.4	14.8
Stratton		156	–	160	120	1.8	186.2	16.1
Sumit	‡	50	-1	118	50	‡	109.9	53.5
TR City of Lon.		107	-½	121¼	90	5.7	111.8	4.3
TR Euro Growth		87	–	104	78	1.5	96.8	10.0
Ptg Sub	s	50	–	58	40	2.6	–	–
TR Far East Inc.		86	+1	94	58	6.5	98.7	12.8
Warrants		15	–	23	12	–	–	–
TR High Inc.	H	88	–	115	85	8.2	95.6	-8.3
Sub	g	33	–	35	24	6.1	–	–

MERCHANT BANKS - Cont.

METALS & METAL FORMING

MISCELLANEOUS

MEDIA

MERCHANT BANKS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

a Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.

L Estimated annualised yield, p/e based on latest annual earnings.

M Yield based on prospectus or other

xd ex dividend. xc ex scrip issue. xr ex rights. xa ex all. xd ex capital distribution.

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Real time share prices are available by calling FT Cityline.

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Calls charged at 36p per minute cheap rate and 48p per minute at all other times.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	50.50	50.50	51.00	+0.01	10.1
Capital Prfmance	5½	48.37	48.70xd	51.95	+0.01	9.0
Ethical	5½	48.36	49.29	52.44	+0.14	4.88
European Growth	5½	47.95	48.16	51.37	+0.32	3.0
Income	5½	45.29	45.75	48.80	-0.21	8.05
Intl Growth	5½	66.50	66.60	71.04	+0.33	3.08
Managed	5½	58.24	58.58	62.49		4.52
UK Growth	5½	48.61	49.22xd	52.50	-0.26	5.89
Standard Chartered Equitor (1200)F						
64 Old Broad Street, EC2M 1QS 071-280 6521						
Magd Exempt Acc	3	195.2	197.3xd	205.5	-0.2	3.05
Do Income	3	182.6	184.7xd	192.3	-0.2	3.05
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	36.20	36.20	38.47	+0.2	2.39
UK Equity Gth Acc	5¼	49.42	50.38	53.93	+0.2	1.93
UK Eq High Inc Inc	5¼	28.45	29.14	30.97	+0.1	6.32
UK Eq High Inc Acc	5¼	31.99	32.78	34.83	+0.1	6.32
UK Equity Gen Acc	5¼	45.86	46.60	49.52		3.45
UK Equity Gen Inc	5¼	35.89	36.47	38.75	---	3.45
UK Larger Cos Acc F	7½	303.4	307.5	333.5	+0.6	4.83
UK Larger Cos Inc F	7½	244.3	247.4	268.5	+0.5	4.83
Gilt & Fxd Int Inc	5¼	28.35	28.43	30.07		7.40
O'seas Larg Cos Acc F	7½	211.7	215.2	233.6	+2.8	2.01
Nth American Acc	5¼	[illegible]	[illegible]	[illegible]	+0.6	0.71
Far East Acc	5¼	39.62	40.64	43.19	+0.6	0.03
European Acc	5¼	34.84	36.17	38.44	+0.2	1.65
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Jan 16	495.45	499.11	-----	2.83
Gross Jan 16	170.31	171.68xd	-----	11.36
High Yield Jan 16	280.23	282.47	-----	7.79
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	52.9	54.03	-----	3.83
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Folio	1172.0	1264.0xd	---	-
Mngd Pens (Acc)	66.3	70.7	----	-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2440.0	2680.0	----	7.00
Inc Gth Prp Jul 31	£1375.0	1460.0	----	8.90
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Feb 12	£3938.8	4111.1xd	+56.60	3.86
European Feb 12	£576.1	582.3	+2.80	1.51
American Feb 12	£360.9	363.9	+0.60	2.23
Japan Feb 12	£461.5	466.7xd	-7.20	[illegible]
Pacific Feb 5	£143.1	147	+1.90	1.18
W Midlands Jan 31	£132.00	147.00	---	2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Jan 31	196.75	200.75	---	7.93
Equity Jan 31	888.05	895.20	---	3.77
* Available only to Local Authorities				

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Insurance Soc.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assur. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd - Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur. Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

[illegible]

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar climbs on rumour

THE DOLLAR climbed to its highest this week against the D-Mark, boosted by rumours of unrest in the former Soviet Union and defensive comments from Federal Reserve chairman Mr Alan Greenspan, *writes Peggy Hollinger.*

The US currency finished near the week's high in London at DM1.6070 from DM1.5905.

Mr Greenspan's comments late last night that he would oppose a devaluation policy left the US unit stronger at the London opening.

Then came Mr Eduard Shevardnadze's warnings of a coup in Russia, and talk of Libya preparing for a punitive western military strike, and the dollar shot through the DM1.60 level.

Traders dismissed the importance of the rumours of Soviet unrest, however. "People wanted to be in the mood to buy dollars," said Mr Michael Feeny, senior dealer at Sumitomo Bank.

It was not the first time Mr Shevardnadze had spoken of unrest.

"The market was ready to listen, even though it was old news," Mr Feeny added. He said it was also unlikely that the Fed would cut rates in the near term.

Many felt the US dollar would consolidate overnight as the speculators take their money and run.

This week's rise has largely been based on technical factors and rumour.

However, the dollar will today get it first solid piece of data since Friday's disastrous jobs figures. US retail sales for January are expected to be flat.

The US unit had a harder time pushing through the psychologically important Y127.50 barrier – the level at which the Fed and the Bank of Japan had intervened last month – to finish at Y127.55, compared with Y126.85 on Tuesday.

The market still feared intervention around the Y128.50 level. Comments from Japanese Finance Minister Mr Tsutomu Hata that it was not yet time for a weak yen reinforced those fears.

Sterling continued to trade in a narrow band against the D-Mark, strengthening from DM2.8650 to DM2.8750.

The D-Mark was weaker against most currencies in the exchange rate mechanism, as a result of the rumours of Soviet unrest and dollar strength.

The lira rose from 752.43/53 per D-Mark to 751.75/85. Traders suggested that investors were keen on the extra yield available in the lira over the D-Mark.

The peseta climbed from 62.99/63.02 per D-Mark to 62.95/97. The Spanish unit's strength ensured that sterling remained a mere 10 basis points above the ERM grid for most of the day.

Sterling's weakness in the ERM would appear to be the main obstacle to a rate cut in the UK.

There was continuing speculation that the Bank of Spain could ease monetary policy after it announces inflation figures today.

£ IN NEW YORK

Feb.12	Latest	Previous Close
£ Spot	1.7855-1.7865	1.7985-1.7995
1 month	0.99-0.97pm	0.98-0.96pm
3 months	2.75-2.72pm	2.77-2.74pm
12 months	9.50-9.40pm	9.53-9.43pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 12	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.605	-3.76	6.14	65
Belgian Franc	42.4032	42.0645	-0.80	2.97	38
Dutch Guilder	2.31643	2.29933	-0.74	2.90	35
D-Mark	2.05586	2.04267	-0.64	2.80	40
Irish Punt	0.767417	0.766175	-0.16	2.31	6
Italian Lira	1538.24	1536.44	-0.12	2.26	5
French Franc	6.89509	6.95915	0.93	1.20	-32
Danish Krone	7.84195	7.92066	1.00	1.13	-47
Sterling	0.696904	0.711845	2.14	0.00	-42

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Feb 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7820 - 1.8025	1.7880 - 1.7890	0.98-0.96cpm	6.51	2.74-2.71pm	6.09
Ireland†	1.6605 - 1.6730	1.6605 - 1.6615	0.93-0.88cpm	6.54	2.65-2.55pm	6.26
Canada	1.1790 - 1.1830	1.1820 - 1.1830	0.32-0.35cdis	-3.40	0.89-0.93dis	-3.08
Netherlands	1.7910 - 1.8125	1.8075 - 1.8085	0.86-0.89cdis	-5.81	2.50-2.54dis	-5.58
Belgium	32.80 - 33.10	33.00 - 33.10	15.00-17.00cdis	-5.81	44.00-47.00dis	-5.51
Denmark	6.1725 - 6.2215	6.2075 - 6.2125	3.00-3.30oredis	-6.09	8.85-9.50dis	-5.91

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

POUND SPOT - FORWARD AGAINST THE POUND

EURO-CURRENCY INTEREST RATES

Feb 12						
US Dollar	4 - 3 7/8	4 - 3 7/8	4 - 3 7/8	4 - 3 7/8	[illegible]	[illegible]
Can. Dollar	7 1/4 - 6 7/8	7 1/4 - 6 7/8	7 1/4 - 6 7/8	7 1/4 - 6 7/8	7 1/4 - 6 7/8	7 1/4 - 6 7/8
Dutch Guilder	9 3/4 - 9 5/8	9 3/4 - 9 5/8	9 3/4 - 9 5/8	9 3/4 - 9 5/8	9 3/4 - 9 5/8	9 3/4 - 9 5/8
Swiss Franc	7 1/4 - 7	7 5/8 - 7 1/2	7 5/8 - 7 1/2	7 5/8 - 7 1/2	7 5/8 - 7 1/2	7 5/8 - 7 1/2
D-Mark	9 5/8 - 9 1/2	9 5/8 - 9 1/2	9 5/8 - 9 1/2	9 5/8 - 9 1/2	9 5/8 - 9 1/2	9 5/8 - 9 1/2
French Franc	10 1/8 - 9 15/16	10 1/8 - 9 15/16	10 1/8 - 9 15/16	10 1/8 - 9 15/16	10 - 9 7/8	9 15/16 - 9 7/8
Italian Lira	12 - 10	12 1/4 - 11 3/4	12 1/4 - 11 3/4	12 1/4 - 11 3/4	12 - 11 3/4	12 - 11 3/4
Belgian Franc	9 3/4 - 9 1/2	9 5/8 - 9 1/2	9 3/4 - 9 1/2	9 5/8 - 9 1/2	9 5/8 - 9 1/2	9 5/8 - 9 1/2
Yen	5 3/4 - 5 5/8	5 5/8 - 5 1/2	5 1/2 - 5 3/8	5 3/8 - 5 1/4	5 1/4 - 5 1/8	5 - 4 7/8
Danish Krone	10 - 9 3/4	10 - 9 3/4	10 1/4 - 10	10 1/4 - 10	10 1/4 - 10	10 - 9 3/4
Asian $Sing	3 5/8 - 3 1/2	3 1/4 - 2 15/16	3 1/2 - 3 3/8	3 1/2 - 3 3/8	3 5/8 - 3 1/2	3 3/4 - 3 5/8

Long term Eurodollars: two years 5 1/2-5 3/8 per cent; three years 6 5/16-6 3/16 per cent; four years 6 5/8-6 1/2 per cent; five years 7 1/16-6 15/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Feb.12	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.789	2.875	228.0	9.793	2.573	3.235	2161.	2.111	59.05	1.404
$	0.559	1	1.607	127.4	5.474	1.438	1.808	1208	1.180	33.01	0.785
DM	0.348	0.622	1	79.30	3.406	0.895	1.125	751.7	0.734	20.54	0.488
YEN	4.386	7.846	12.61	1000.	42.95	11.29	14.19	9478	9.259	259.0	6.158
F Fr.	1.021	1.827	2.936	232.8	10.	2.627	3.303	2207	2.156	60.30	1.434
S Fr.	0.389	0.695	1.117	88.61	3.806	1	1.257	839.9	0.820	22.95	0.546
N Fl.	0.309	0.553	0.889	70.48	3.027	0.795	1	668.0	0.653	18.25	0.434
Lira	0.463	0.828	1.330	105.5	4.532	1.191	1.497	1000.	0.977	27.33	0.650
C $	0.474	0.847	1.362	108.0	4.639	1.219	1.532	1024	1	27.97	0.665
B Fr.	1.693	3.030	4.869	386.1	16.58	4.357	5.478	3660	3.575	100.	2.378
Ecu	0.712	1.274	2.048	162.4	6.975	1.833	2.304	1539	1.504	42.06	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7865	1.7709	1.7612	1.7358	1.6943

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Crédit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Duncan Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	Nat Westminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates firm

RATES firmed at the short end of the UK money market, as the central bank dealings indicated no immediate change in interest rates.

One week money rose to 10 11/16-5/8 per cent. Further out, however, the market was still tentatively hoping for an interest rate cut, with the key three-month interbank rate at 10 11/16-5/8 per cent. Overnight rates traded at 11¼ per cent for most of the day, but closed at 10¾-⅝ per cent.

The March short sterling contract closed one basis point down at 89.80. At that level, the contract still implied a cut in rates by the middle of March.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Market rates were pushed up by the Bank of England's measured approach to easing the forecast £1.35bn shortage.

By noon, the Bank had resolved about half of the shortfall, purchasing bills worth £780m. They included band one bank and treasury, and band two bank paper at 10⅝ per cent. The Bank also offered two repurchase deals at 10 11/16 per cent, which fell due on March 3 and 4.

In the afternoon, a further £115m was injected through band one and two bank bills at 10⅝ per cent. Late assistance of £440m left the market only £55m short.

Traders said it was significant that the bank had not operated in band three or four paper, which tends to be slightly cheaper. "It is as if the Bank is saying 'Steady as she goes, 10⅝ is here to stay for a while'," said a senior trader.

Most of the overall shortage – £922m – was due to repurchase agreements falling due. Treasury paper and maturing assistance accounted for £283m, while exchequer transactions added £205m back into the market. Bankers' balances below target and a rise in note circulation took out £245m.

Tomorrow is expected to be another expensive day in the money markets, said one senior trader.

A generous DM2.4bn securities repurchase agreement from the Bundesbank helped to ease call money in Germany from 9.55/65 per cent to 9.50/60 per cent.

In the US, the Federal Reserve exercised a matched sale-purchase agreement while rates were trading at 3⅞ per cent. The presumed Fed target is 4 per cent, and yesterday's action signalled no change in monetary policy. Market sentiment is turning from an expectation of a cut in the funds rate to a more measured "wait and see" approach, said many dealers.

LONDON MONEY RATES

Feb 12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11½	10¾	10⅝	10¾	10⅝	10¾
Interbank Bid	10	10½	10½	10⅝	10½	10½
Sterling CDs	–	–	10½	10 9/16	10½	10 7/16
Local Authority Deps.	10⅝	10½	10½	10⅝	10 9/16	10½
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps	10¾	10¾	–	–	–	–
Company Deposits	–	–	10½	10½	10⅝	10¾
Finance House Deposits	–	–	10¾	10½	10⅝	10⅝
Treasury Bills (Buy)	–	–	10⅛	9 15/16	9⅞	–
Bank Bills (Buy)	–	–	10 3/16	9 15/16	9 13/16	–
Fine Trade Bills (Buy)	–	–	–	–	–	–
Dollar CDs	–	–	3.97	3.97	4.00	4.33
SDR Linked Dep. Offer	–	–	6⅝	6⅝	6½	6⅝
SDR Linked Dep. Bid	–	–	6¼	6¼	6⅜	6½
ECU Linked Dep. Offer	–	–	10⅜	10¼	10¼	10 1/16
ECU Linked Dep. Bid	–	–	10¼	10⅛	10⅛	9 15/16

Treasury Bills (sell); one-month 10⅛ per cent; three months 9 13/16 per cent; six months 10⅛ per cent; Bank Bills (sell); one-month 10⅛ per cent; three months 9⅞ per cent; Treasury Bills: Average tender rate of discount 9.8269 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day January 31 ,1992 . Agreed rates for period Feb.26, 1992 to March 24 , 1992, Scheme I: 11.75 p.c., Schemes II & III: 12.01 p.c. Reference rate for period Jan 1,1992 to January 31 , 1992, Scheme IV&V: 10.713 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from February 1 , 1992: Bank Deposit Rates for sums at seven days notice 4 per cent, Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991 . Deposits withdrawn for cash 5 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.12) 3 months US dollars		6 months US Dollars	
bid 3⅞	offer 4	bid 3 15/16	offer 4 1/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6½	One month	3.73	Three year	5.56
Broker loan rate	6	Two month	3.85	Five year	6.44
Fed.funds	3⅞	Three month	3.86	Seven year	6.85
Fed.funds at intervention	-	Six month	3.98	10-year	7.27
		One year	4.16	30-year	7.81
		Two year	5.04		

Feb.12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.50-9.60	9.50-9.60	9.45-9.55	9.45-9.55	9.45-9.55	9.75
Paris	10-10⅛	9 15/16-10 1/16	9 15/16-10 1/16	9 15/16-10 1/16	9⅞-10	9.60
Zurich	6⅞-6⅝	7⅛-7⅜	-	7⅛-7⅜	-	-
Amsterdam	9.43-9.56	9.55-9.63	-	9.53-9.61	-	-
Tokyo	5 9/16-5 11/16	5⅜-5½	-	5¼-5⅜	-	-
Milan	11¾-12¼	12⅛-12⅜	-	12⅛-12¼	-	-
Brussels	9.56-9.60	9⅝-9¾	-	9⅝-9¾	-	-
Dublin	10⅜-10½	10 7/16-10 9/16	10½-10⅝	10⅜-10½	10⅜-10½	-

ALLIANCE & LEICESTER

Alliance & Leicester Building Society

£50,000,000

Subordinated Variable Rate Notes 1996

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the Rate of Interest for the fifteenth Interest Period from 10th February, 1992, to 11th May, 1992, has been fixed at 11.35% per annum. Interest payable on 11th May, 1992, will amount to £282.20 per £10,000 principal amount.

Bankers Trust Company, London Agent Bank

ALLIANCE & LEICESTER

Alliance & Leicester Building Society

£150,000,000

Floating Rate Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 11th May, 1992 has been fixed at 10.60% per annum. The interest accruing for such three month period will be £263.55 per £10,000 Bearer Note, and £2,635.52 per £100,000 Bearer Note, on 11th May, 1992 against presentation of Coupon No. 15.

Union Bank of Switzerland London Branch Agent Bank

13th February, 1992

Notice of Early Redemption of Skopbank

Yen 2,500,000,000 7% Index-Linked "Series A" Bonds due 1994

and

Yen 500,000,000 6.4% Index-Linked "Series B" Bonds due 1994

NOTICE IS HEREBY GIVEN to Bondholders that, in accordance with Clause 5 (A) of the terms and conditions of the above mentioned Bonds, all of the outstanding Notes will be redeemed by the Issuer on 16th March, 1992 at a redemption amount determined in accordance with their respective terms and conditions.
The accrued interest and principal will be made upon presentation and surrender of the Bonds and the relevant coupon, with all unmatured coupons attached, on 16th March, 1992 at the office of the Principal Paying Agent listed below:

BANQUE GENERALE DU LUXEMBOURG
27 avenue Monterey/14 rue Aldringen
L-2951 LUXEMBOURG

BANQUE GENERALE DU LUXEMBOURG S.A.
Fiscal Agent

KOREA INTERNATIONAL MERCHANT BANK

U.S.$ 30,000,000 Floating Rate Notes Due 1994

In accordance with the provisions of the Notes notice is hereby given that for the six months period from February 12, 1992 to August 12, 1992 the Notes will carry an interest rate of 4.4125% per annum with a coupon amount of U.S.$ 1,115.38 per U.S.$ 50,000 Note payable on August 12, 1992.

Frankfurt/Main, February 1992

COMMERZBANK

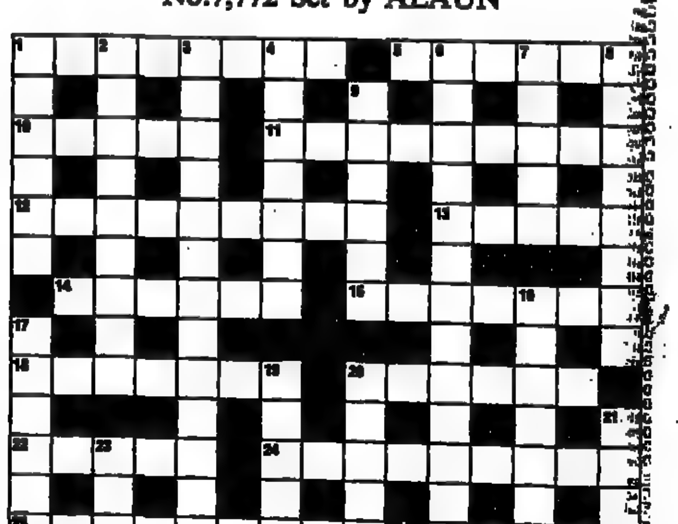
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.7,772 Set by ALAUN



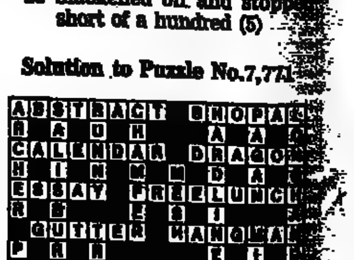
ACROSS

1 The money's stolen and the ammunition (8)
5 Said it's a match – strike one (6)
10 Strange reversal of the first two letters in "dance" (5)
11 Puts a stew in to cook, anyhow (9)
12 Still rather raw and silly (4-5)
13 Not to be dissuaded from returning the money (5)
14 Is forced, by the time, to get a move on (6)
15 The extra distance (7)
16 Mean to make the drink last (7)
20 Goes off with the ill-gotten goods (6)
22 Box containing vital necessities (6)
24 How long it took to put all the lights out? (5,4)
25 Makes sense if the germ is spread round by a carrier (9)
26 Should you hear anything (5)
27 The raw state (6)
28 What the eccentric cribbage player has in his engine? (8)

DOWN

1 There's a bunk above for her (6)
2 That's the stuff! Get a seat and order a meal inside (9)
3 What the down-at-heel doctor metes out? (6,9)
4 *Material* the slip-cover is made of (7)
6 Take a firm line and shoot ahead (3,4,4,4)
7 Right out of turn (5)
8 Army nurse in the Maquis (8)
9 The guard turns to take his gun out again (6)
16 Arriving or, conversely, pulling out (7,2)
17 Wearing a protective suit in the water, can stand up myself (8)
19 Stoop and a second goes through for goal (6)
20 It combs and it cleans (7)
21 Continued with the long backswing (4,2)
23 Slackened off and stopped short of a hundred (5)

Solution to Puzzle No.7,771



WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices February 12

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
5000	Abitibi Pr	u$15½	15¼	15⅜	−⅛
35000	AgnicoEa	$6	5¾	6	+¼
115000	Air Cda	$7⅞	d7⅝	7⅝	−⅛
11000	Albrta En	$11½	d11¼	11⅜	−⅛
1800	AlbNtGas	$12⅞	12⅞	12⅞	−⅛
181000	Alcan Al	$24⅛	23⅞	24¼	+⅛
185000	Am Barr	$34¼	33⅞	34⅛	+¼
2300	Atco Cl 1	$12⅛	12⅛	12⅛	
237200	Bk Montrl	$44	d42⅞	43⅛	−⅝
801700	Bk Nova Sc	$22¼	21⅝	22	−¼
33700	BC Sugar A	$13⅝	13⅝	13½	−⅛
767800	BCE Inc	$48¼	47⅞	47⅞	−¼
62500	Balmoral	14	13	13	−1
3400	BGR A	$7¾	7⅝	7⅝	−⅛
130600	Bomb'dierB	$16¼	16	16	−⅛
51100	Bow Valley	$12⅛	12	12	
4000	BP Canada	u$12⅞	12½	12⅞	+⅛
72000	Bramalea	$5½	5⅜	5½	
6100	Brascan A	$18⅝	18½	18½	−⅛
201500	Breakwater	44	39	44	+5
68100	BC Tel	$22⅜	22⅛	22¼	−⅛
5100	Bruncor	u$19¼	19⅛	19⅛	+⅛
5000	Brunswick	$7¼	7⅛	7⅛	−⅛
276100	CAE Ind	$6⅜	d6¼	6¼	−⅛
18300	Cara Op	$5⅝	d5⅜	5⅝	−⅛
5800	Cascades	u$7⅛	7⅛	7⅛	
100	Celanese	$46	46	46	
8600	Cntrl Cap	36	33	35	
8400	Claepx Cdn	335	335	335	
1800	Cntrl Fd A	u475	465	475	+10
52200	Cominco	$21¼	20⅞	20⅞	−⅛
6500	Coputalog	75	75	75	

INDICES

NEW YORK

DOW JONES	Feb 11	Feb 10	Feb 7	Feb 6	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	3251.57	3245.08	3225.40	3255.59	3272.81 (4/2)	3172.41 (2/1)	3272.81 (4/2/92)	41.22 (2/7/32)
Home Bonds	99.25	99.45	99.67	99.81	99.81 (6/2)	98.77 (3/2)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1390.32	1388.83	1383.22	1392.19	1445.81 (16/1)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	208.69	207.44	206.25	207.81	225.59 (3/1)	206.25 (7/2)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 3277.28 (3269.01) Low 3222.50 (3208.86)

STANDARD AND POOR'S	Feb 11	Feb 10	Feb 7	Feb 6	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	413.76	413.77	411.09	413.82	420.77 (15/1)	408.78 (31/1)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	492.03	492.51	489.59	492.61	499.27 (15/1)	485.57 (31/1)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.21	34.26	34.13	34.35	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	228.94	228.93	227.65	228.96	231.85 (15/1)	226.20 (31/1)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	415.46	415.14	415.41	416.25	416.25 (6/2)	395.51 (2/1)	416.25 (6/2/92)	29.31 (9/12/72)
NASDAQ Composite	633.37	634.13	634.95	637.67	637.67 (6/2)	586.45 (2/1)	637.67 (6/2/92)	54.87 (31/10/72)

	Feb 7	Jan 31	Jan 24	year ago (approx.)
Dow Industrial Div. Yield	2.87	2.88	2.87	3.57

**Saturday February 8: Taiwan Weighted Price: 5217.63. Korea C…

‡ Subject to official recalculation.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB G… and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All… Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 12 February 1992

	Stocks Traded	Closing Prices	Change on day
Sanyo Electric	7.0	478	-7
Clarion	5.2	1,150	+50
Gunma Bank	5.1	1,070	-10
Oki Electric	4.3	518	-17
Morinaga Milk	3.8	728	+3
Sumitomo Chem.	3.7	438	-5
Keio Teito Rail	3.2	750	-1
Nippon Carbon	2.8	1,980	+30
Nippon Steel	2.6	348	-1
Hitachi	2.4	877	-17

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

3:00 pm prices February 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¾	AAR Corp	0.48	3.1	17	205	15½	15⅛	15⅜	-⅛
26	22½	A L Labs A	0.16	0.7	24	86	22¾	d22½	22½	-⅛
68¾	58⅞	AMP Inc	1.52	2.4	25	2637	62¼	61¼	62¼	+¾
75½	68⅜	AMR				253061	73¾	72⅝	73½	+⅛
2⅝	1⅞	ARX			2	45	u2⅞	2⅛	2¼	
53½	46¼	ASA x	2.00	4.0	14	600	50⅝	49⅞	50½	+⅞
66⅞	60¾	Abbott Lab	1.00	1.5	25	3780	64⅝	63¾	64⅝	
13¾	12⅛	Abitibi Pr	0.50	3.8	17	20	13⅛	13⅛	13¼	
11⅝	10½	ACM Gvt In x	0.95	9.0		220	10¾	10⅝	10⅝	
10⅜	9⅛	ACM GvOpp x	0.80	8.5		113	9⅜	9¼	9⅜	
9½	8⅝	ACM Gvt Sp x	1.01	11.7		438	8¾	d8⅝	8⅝	
11¼	10⅛	ACM Gvt Sa	1.26	12.0		326	10½	10⅜	10½	+⅛
9⅜	8⅝	ACM Man x	0.95	10.4		134	9⅛	9	9⅛	+⅛
12⅞	11⅞	ACM MsecpI x	1.08	9.1		142	12	d11⅞	11⅞	-⅛
10⅛	7	Acme Cleve x	0.40	4.0	18	160	10	9¾	9⅞	
5⅛	4½	Acme Elect			3	14	4¾	d4½	4¾	+⅛
33¼	21½	Acuson			13	4097	22⅛	d21½	22⅛	+¼
19⅞	18½	Adams Expr x	0.48	2.6	0	29	19⅛	18⅞	19⅛	+⅛
15½	13	Adobe12P1	2.40	15.7		60	15⅛	14⅞	15⅛	+⅜
6⅞	4½	Adobe Res			83	102	u6⅞	5⅛	5⅞	+⅛
49⅞	42¼	Ad Micro				133	48½	48	48½	+1
21½	17⅞	Ad Micro P	3.00	14.2	13	1313	21⅛	20¾	21⅛	+½
7⅛	5	Advest Grp	0.16	2.3	28	242	7	6⅞	6⅞	
45¾	39	Aetna Lf	2.76	6.0		94054	u46	44¾	46	+2¼
11⅛	8⅞	Ahd A x	0.24	2.2	78	1093	u11⅛	10⅝	11	+¼
32⅞	29⅞	Aflac x	0.40	1.3	16	714	30¾	29⅞	30¾	+⅝
18¾	15⅞	Ahmanson x	0.88	4.8		82307	18⅛	18	18⅛	
22½	17½	Aileen Inc			17	623	20	19⅛	19⅞	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

VIAG 1992:
Sound basis
towards new
objectives.

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Georg-von-Boeselager-Str. 25
D-5300 Bonn 1
Telefax: (228) 552-2122

Continued on next page

NYSE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11 3/8	10 1/8	Royce Val	1.22	10.7		97	u11 3/8	11 1/4	11 3/8	
37 1/4	33	Rubbermaid x	0.34	1.0	39	1572	33 3/4	33 3/8	33 1/2	+1/8
17 3/4	14 7/8	Ruddick	0.24	1.4	13	28	17 3/4	17 1/4	17 3/8	+1/2
23 1/4	18	RussBerrie	0.60	2.6	20	68	u23 1/2	23	23	-1/2
1 5/8	1	Russ Togs	0.20	13.3	0	33	u1 5/8	1 1/2	1 1/2	
39 7/8	33 1/2	Russell Cp x	0.32	0.8	29	760	u40 1/8	39 1/8	40 1/8	+1
24 1/2	19 5/8	Ryder Syst	0.60	2.5	29	1858	23 7/8	23 1/2	23 3/4	+1/4
28	22 1/4	Ryland Grp	0.60	2.2	23	985	u28	27 1/8	27 7/8	+5/8

- S -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	17 1/2	S Anita Rt	1.36	7.0	17	61	19 3/8	19 1/4	19 3/8	
18 7/8	15 1/4	SCOR US Cp	0.24	1.3	11	96	18 1/4	18	18	
28 1/2	24 3/4	SPS Techno x	1.28	4.4	22	35	28 3/4	28 3/4	28 3/4	
13/16	11/16	SaatchiS&S	0.19	23.4	0	790	u13/16	3/4	13/16	
13	12 1/8	Sabine Rit x	1.31	10.4	7	12	12 5/8	12 1/2	12 5/8	+1/8
11 7/8	9 1/2	Safecard	0.15	1.4	10	13	10 7/8	10 3/4	10 7/8	-1/8
16	14 1/4	Safeg'd Sc			6	84	15 1/4	14 3/4	15 1/4	+5/8
28 3/4	25 1/4	SafetyKlin x	0.34	1.2	30	492	27 1/2	27 1/4	27 3/8	-1/8
20 1/4	17 1/2	Safeway				391042	18 3/8	17 7/8	18 1/4	-1/8
4 5/8	3 3/4	SafewayW95				169	4	3 7/8	3 7/8	-1/8
34 3/4	29 7/8	StJoePaper	0.20	0.6	46	55	u34 3/4	34 3/8	34 3/4	+3/8
34 3/4	32 1/2	StJoeL&P	1.72	5.2	13	3	32 5/8	32 5/8	32 7/8	
75 3/4	68 1/2	St Paul's x	2.72	3.7	7	279	72 3/4	71 3/4	72 5/8	+1/2
7 3/4	2 7/8	Salant Crp			0	79	6 3/4	6 3/4	6 1/2	
75 1/8	67	Sallie Mae x	1.00	1.4	20	1280	71	69 1/2	71	+1 3/8

- X - Y - Z -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82 1/4	65 1/2	Xerox x	3.00	3.7	16	8025	80 3/4	79 3/8	80 1/8	+1/8
53 1/2	50 1/2	Xerox4.125 x				15	u53 1/2	52 1/2	52 3/4	
27 1/2	24 7/8	Xtra 1.94 x	1.94	7.2		38	27	26 3/4	26 7/8	-1/8
34 3/4	28 1/2	Xtra Corp x	0.80	2.4	14	3174	34	33 3/4	33 7/8	+1/8
27	25 1/4	Yankee Egy	1.60	6.0	13	32	26 1/2	26 1/4	26 1/2	+1/4
13/16	1/2	Zapata			25	416	u13/16	3/4	13/16	+1/16
9 3/8	7 3/4	ZenithElec			3	272	9 1/8	9	9 1/8	
16 5/8	15 1/4	Zenith Nat	1.00	6.2	13	50	16 1/4	16	16 1/8	
6 5/8	6	Zenix Inc x	0.84	12.7		129	u6 3/4	6 5/8	6 5/8	
12 7/8	11 1/8	Zero Corp x	0.40	3.1	19	234	u12 7/8	12 3/4	12 7/8	+1/8
36	34 1/2	Zurn Ind x	0.88	2.5	16	546	35	d34 1/2	34 7/8	+1/8
14 1/8	13 3/8	Zweig Fund	1.10	8.6		240	13 1/2	d13 3/8	13 1/2	+1/8
11	10 5/8	Zweig Totl x	0.96	8.8		586	10 7/8	d10 5/8	10 3/4	

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked ex-dividend early.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices February 12

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng

NASDAQ NATIONAL MARKET

3:00 pm prices February 12

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng

- X - Y - Z -

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
Xilinx		30	3267	28 3/4	27	28 1/2	+1 1/4
Xoma Corp		13	3349	24	22 1/2	23	-1/2
Yellow Fr x	0.94	31	1150	30 1/8	29 3/4	30 1/8	+1/8
York Rsch		57	918	7 1/8	6 7/8	6 7/8	
ZionsUtah	1.44	10	209	u48 1/4	47 1/4	48 1/4	+1/8

NORTH WALES

The FT proposes to publish this survey on March 5 1992.
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FINANCIAL TIMES Thursday February 13 1992

AMERICA

Weak bond prices keep Dow in narrow range

Wall Street

US STOCK markets retained their firm tone yesterday morning, but weakness in bond prices kept gains to a minimum, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 8.49 at 3,260.06, the index having spent the morning in a narrow trading range either side of opening values. The more broadly based Standard & Poor's 500 was up 0.69 at 414.45 at 1 pm, while the Nasdaq composite of over-the-counter stocks advanced 5.94 to 639.31. NYSE turnover was unexceptional at 126m shares.

Doubts about the direction of US monetary policy (recent statements from within the Federal Reserve have dampened hopes of an interest rate cut), and the lack of fresh economic news have left the market without direction. Weakness in bond prices, prompted by the pressure of $36bn in fresh supply this week, has also cast a cloud over stocks. Only the release of corporate results has generated some enthusiasm among investors.

Chrysler shares held their ground at $15¾ in heavy trading, recovering from early losses prompted by a ratings downgrade from PaineWebber and reports that the car manufacturer might boost its preferred stock offering from $400m to $1bn. General Motors was up $¾ at $36⅛ and Ford rose $¼ to $34¾.

News Corp jumped $1¼ to $24⅝ on the news that the media group expects to report improved fourth quarter results, and that operating profits in its fiscal first half rose 38 per cent.

Insurers were in the limelight following full-year results announcements. Travelers rose $1 to $23⅞ after the insurance group reported a $380m after tax profit for 1991, compared with a big loss in 1990 after big property tax write-offs. Aetna climbed $1¼ to $45½ in the wake of net profits of $505m for the full year, down from $614m a year earlier.

Coca-Cola Enterprises, the bottling operations of the soft drinks giant, fell $⅝ to $14¼ after the company unveiled a fourth quarter loss of $125m.

On the American Stock Exchange Commtron gained $¾ at $7¼ on the news that merger talks with Ingram Industries could result in Commtron shareholders getting $7¾ a share.

AutoZone, the car accessories retailer, slumped $2¼ to $37¾ after the company's chairman and partnerships led by Kohlberg Kravis Roberts, the buy-out specialists, said that they would sell a total of 4.75m shares in a secondary stock offering.

Among over-the-counter stocks, Egghead rose $2¼ to $21¾, near to a new 52-week high, after the personal computer software retailer revealed fiscal third quarter net income of 36 cents a share, well up on market estimates.

Also higher on better-than-expected results was Applied Materials, up $6¾ at $45½ in the wake of fiscal first quarter net income of 37 cents a share, compared to 25 cents a share a year earlier.

Canada

TORONTO stocks fell at midday, reflecting weakness in the banking sector after Standard & Poor's said that it might downgrade the long-term debt of Toronto-Dominion Bank.

The TSE 300 fell 12.9 to 3,584.9, up from a low of 3,575.47 hit shortly after the S&P statement. Declines led advances by 252 to 214.

Toronto-Dominion fell C$½ to C$17⅞, Bank of Montreal eased C$¾ to C$43¾, Bank of Nova Scotia slipped C$½ to C$21⅜ and Royal Bank lost C$⅜ to C$25⅛.

EUROPE

Bourses see big moves in second-line stocks

RUMOURS of a new coup in Russia were denied early in the day, but they affected most bourses, *writes Our Markets Staff.*

FRANKFURT fell to a day's low of 1,671.63 on the DAX index at one point, but closed only 4.63 lower at 1,678.92. The FAZ index also fell 4.63 to 684.09 at midsession.

There was movement, but little conviction in the big blue chips as turnover rose from DM5.4bn to DM5.8bn. Chemicals fell back, Hoechst losing the most with a DM2.80 decline to DM251.

Carmakers varied, Daimler and Volkswagen falling DM4.80 to DM734, and DM3.50 to DM337.50 respectively but BMW rising DM5 to DM546.50.

The big price changes came in smaller companies with Puma, the sports goods producer controlled by Aritmos of Sweden, up DM45, or 22 per cent to DM250 while Ava, the retailer, put on DM95, or 15 per cent to DM740.

Puma's rise followed a statement that it had returned to profit in 1991 after several difficult years. Ava racked up a market turnover of DM299m, placing it sixth in the German top 10. It rose on rumours that Asko, which said a week ago that it owned more than 50 per cent of Ava, was buying up Ava stock on the open market. Asko denied this later.

FT-SE Eurotrack 100 - Feb 12							
Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1138.00	1136.97	1135.64	1135.40	1136.39	1135.29	1136.25	1136.12
Day's High 1138.27				Day's Low 1135.04			
Feb 11	Feb 10	Feb 7	Feb 6	Feb 5			
1137.74	1137.68	1137.10	1138.76	1138.71			

Base value 1000 (29/10/90).

PARIS remained locked in a narrow trading range and the big moves were seen in less liquid stocks. The CAC-40 index ended down 2.46 to 1,861.60 in light turnover of FFr1.4bn.

Perrier continued to rise as institutions sought to build up small but crucial stakes in the hope of selling out to the highest bidder in the event of a takeover battle. The stock added FFr18 to FFr1,548 with 77,025 shares traded.

However there were reports that the Cob had decided that Perrier did not have the right to sell its treasury stock to St Louis. If this were the case, analysts said it was likely that a Paris court, due to meet on February 25, would annul the sale of the 13.8 per cent stake in Perrier, thus facilitating Nestlé's bid and offering the Agnelli camp a graceful exit.

Among second-liners, Chargeurs rose FFr56 or 5.1 per cent to FFr1,150 with 42,250 shares traded on news that the UK satellite television venture BSkyB, in which Chargeurs has a 15.9 per cent stake, could soon be profitable. Chargeurs also said that it had entered a cooperation agreement with an Italian textiles group.

The builder Spie Batignolles jumped FFr19.50 or 6.1 per cent to FFr337.50 with 25,675 shares traded on talk that Schneider might sell off part of its stake in Spie in the wake of the latter's poor results.

MILAN closed lower as traders squared their positions ahead of the close of the monthly trading account on Friday. Dealers estimated that 60 per cent of the monthly options contracts had been abandoned. The Comit index fell 2.88 to 538.33 in turnover estimated at around Tuesday's L87.7bn.

Among industrials, Fiat fell L88 to L4,937 while Pirelli eased L9 to L1,122 as its plants were halted by a four-hour strike.

Dealers reported some buying interest in Generali from domestic mutual funds, which pushed the stock up by L80 to L30,880 at the official close. But the stock eased after hours.

AMSTERDAM was steady, as the CBS Tendency index closed unchanged at 121.9. Heineken lost Fl 2.60 to Fl 170.00 mainly due to profit-taking. Trading group Borsumij continued its strong advance, gaining Fl 2.00 to Fl 64.70 after it announced good 1992 profit prospects earlier in the week.

MADRID saw strong volume in the electrical and construction sectors. The general index finished 0.47 up at 259.51. January CPI figures are released today and most observers have forecast a rise of 1.5 per cent, lower than previous predictions, which should give a stimulus to the market. Hopes of a cut in interest rates also lifted prices.

ZURICH saw Swiss interest rates steady to marginally higher and the SPI index fell 1.5 to 1,125.5. Banks, traditionally sensitive to interest rate changes, closed lower. UBS bearers fell SFr40 to SFr3,810 and CS Holding by SFr20 to SFr2,000.

STOCKHOLM had another look at Tuesday's Ericsson results, concentrated on the gloomy outlook for 1992 and put the B shares down SKr3 to SKr114 in turnover of SKr62m. The Affärsvärlden General index fell 3.8 to 953.6 in turnover down from SKr405m to SKr324m.

HELSINKI hit a second consecutive 1992 high with the Hex index 1.7 higher at 896.7, as did VIENNA, the 18-share ATX index rising 2.04 to 1,033.21.

ISTANBUL corrected falls of the last two days, the 75-share index closing up 83.66, or 2 per cent, to 4,266.62.

ASIA PACIFIC

Nikkei falls on lower yen and bond prices

Tokyo

THE LOWER yen and bond prices, and worries about developments in an alleged bribery scandal discouraged market participants, and the Nikkei average lost ground in low activity, *writes Emiko Terazono in Tokyo.*

The Nikkei, which lost 287.60 on Monday, gave up another 277.88 to close at 21,541.64. The index opened at the day's high of 21,781.44 but fell on small-lot arbitrage-related selling, hitting the session's low of 21,475.60 in the afternoon.

Volume rose to 170m shares from 137m. Dealers continued to dominate trading, though some light basket buying by foreigners was noted. News yesterday that the ruling Liberal Democratic Party agreed in principle to parliamentary testimony by key figures in the Kyowa bribery scandal raised fears of political repercussions.

Market participants were cautious about the near-term outlook for equities. "Domestic institutions are done with trading for the year," said Mr Dan Kerrigan at County NatWest, adding that large moves in the market before the March book closing were unlikely.

Declines led advances by 823 to 139, with 129 issues unchanged. The Topix index of all first section stocks slipped 18.13 to 2,428.72, and in London the ISE/Nikkei 50 index eased 2.38 to 1,219.58.

All first section sectors, except paper stocks, lost ground. In the morning, some shares were supported by comments from Mr Michio Watanabe, the foreign minister, that Japan should carry out a redenomination of the yen to boost the economy.

Mr Watanabe said in a speech on Tuesday that redenomination would help create new jobs and demand through replacement of computers and vending machines.

Mr Tsutomu Hata, the finance minister, said that his ministry was not considering such a move. Nevertheless, paper and printing shares gained on prospects of new money being printed.

Oji Paper advanced Y7 to Y862, but Dai Nippon Ink surrendered an early rise to profit-taking, finishing unaltered at Y1,490.

A total of 22 issues reached new lows since January last year, including Fujitsu, which lost Y12 to Y770. It said that unconsolidated pre-tax profits for the current year to March would be down 60 per cent, while consolidated figures are forecast to fall by 80 per cent.

Other high-technology issues were also weak, with NEC declining Y20 to Y1,150 and Hitachi falling Y17 to Y877.

Precision instrument makers continued to fall after last week's decision by a US district court to charge Minolta Camera for patent infringement. Minolta ended Y30 cheaper at Y470 and Nikon relinquished Y29 to Y821.

In Osaka, the OSE average weakened 264.58 to 23,217.15 in volume of 108.5m shares.

Roundup

SENTIMENT was mixed in the Pacific Rim, as Hong Kong reversed Tuesday's decline and Seoul fell for the third consecutive day.

HONG KONG rebounded strongly at the close, almost wiping out Tuesday's 59-point correction. The Hang Seng index climbed 57.91 or 1.24 per cent to 4,732.43. Turnover decreased to HK$1.9bn from HK$2.4bn.

Laggards were sought, Hong Kong & China Gas rising 70 cents to HK$13.30 and topping the most active list. The utility was also supported by rumours of a covered warrant issue and strong earnings growth.

SINGAPORE fell on profit-taking. The Straits Times Industrials index ended 2.82 lower at 1,521.10, in turnover of S$133.5m, against S$167.4m.

City Developments fell 14 cents to S$4.12 in heavy volume on rumours, later denied, that a leading member of the Kwek family, the biggest shareholders in CityDev, was seriously ill.

KUALA LUMPUR pulled back from the day's lows on bargain hunting. The composite index lost 3.70 at 600.75 in turnover of 61.9m (91.6m).

SEOUL's decline continued, the composite index dipping 10.09 to 664.23 in turnover of Won341.5bn. Concern over possible bankruptcies of small companies hung over trading.

TAIWAN ended slightly lower as the correction to last month's gains continued. The weighted index shed 10.44 to 5,061.60 as turnover fell to T$32.8bn from T$47.4bn.

AUSTRALIA lost ground in early trading on publication of disappointing December retail sales figures, but recovered well later. The All Ordinaries index gained a net 1.7 at 1,617.1 in a turnover of A$256.4m.

TNT rose 8 cents to A$1.85 following reports that Federal Express was considering restructuring. News Corp fell 6 cents to A$15.70. After hours, it announced a 38 per cent rise in half-year profits, better than market expectations.

NEW ZEALAND showed further improvement but ended off the day's high: the NZSE-40 index put on 9.72 to 1,477.64 in turnover of NZ$23.5m. Telecom and Fletcher Challenge both gained 4 cents to NZ$2.39 and NZ$3.46.

MANILA recovered on local sentiment: the composite index gained 12.69 to 1,225.48 in turnover of 155m pesos.

BANGKOK gained in active trading, the SET index adding 14.53 at 801.44 in turnover of Bt11bn. Banks were strong on a half-point cut in prime rates from tomorrow.

BOMBAY soared to a record intra-day high of 2,337.75 before closing at 2,305.38, up 31.91 or 1.4 per cent.

Denmark puts backbone into Nordic performance

But it is facing a difficult start to the 1991 results season, writes Hilary Barnes from Copenhagen

While other Nordic markets battled, rose and retreated in varying degrees of disarray through 1991, Danish equities performed relatively well, with the all-share index increasing by 12 per cent over the year – a rise only moderated by worries in the financial sector.

Brokers expect that 1992 will also be bullish. However, the impending 1991 results season will have to go through an uninspiring start, on banking performance, and then reflect the high cost of international ambitions in the insurance industry before it gets to the more stable core of the Danish equity market.

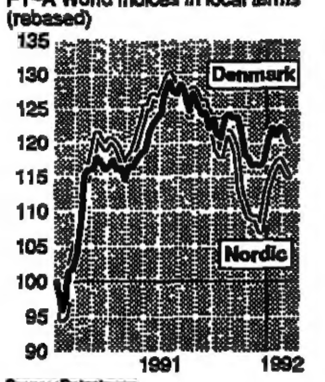
Shipping shares, dominated by the AP Möller companies, D/S 1912 and D/S Svenborg and Lauritzen Holding, rose by 31.4 per cent in Denmark last year, and industrials, which historically have underperformed any other sector except the banks, gained 18.4 per cent, reflecting the current export-led recovery in the country's economic fortunes and a relative improvement in the profitability of manufacturing exporters.

Seven out of the 10 best performing shares were industrials, including two of the heavyweights: Carlsberg, the brewer involved in a major deal with Allied-Lyons in the UK, which gained 54 per cent, and Novo Nordisk, the pharmaceuticals and industrial enzymes group, 51 per cent stronger.

In the medical field, two smaller health care companies, Radiometer, manufacturer of blood analysis equipment, up 71 per cent, and Coloplast, colostomy bags and similar types of medical equipment, up 95 per cent, performed well, as did the enzymes specialist Chr. Hansens Laboratorier.

The field was led by Brdr. Hartmann, a small company specialising in recycling of industrial wastes, which rose

FT–A World Indices in local terms (rebased)



Source: Datastream

by 169 per cent. The other top performers were Sophus Berendsen and the shipping companies, Lauritzen and D/S 1912. Berendsen, which controls the UK-listed Rentokil, acquired the linen service business of Sweden's Electrolux in Sweden, France and Holland last year to become Europe's third largest linen service company.

Copenhagen's equity market was supported generally by a satisfactory development in some of the main economic indicators, and Denmark, unlike its Nordic neighbours, was spared the sight of collapsing banks.

Inflation, at 2.4 per cent, was lower than in any other European country. Danish export companies have gained market share, especially in Germany and the other Nordic countries. The current account balance of payments, in deficit for 27 years until 1990, is now in surplus of about DKr14bn ($2.3bn), or just over 1 per cent of GDP. The trade surplus, including both visibles and invisibles, is now a huge DKr50bn, about six per cent of GDP.

There is no indication that 1992 will see a break in these trends, although exports may be dampened slightly by slower growth in Germany. The GDP growth rate, according to the government's forecast, will be about 2.5 per cent.

Last year saw lively new issue activity. Some 12 new companies were listed, including Norway's Hafslund Nycomed, the shares of which are now traded more heavily in Copenhagen than in Oslo. Total new capital raised was DKr12.6bn, about one third of this accounted for issues by Novo Nordisk and Baltica Insurance last summer.

Last year was a relatively poor year for Danish bank shares but still marginally positive, with the sector index up by only 1.5 per cent, less, probably, because of its own constituents' prospects than because international investors moved out of Nordic bank shares, including Danish ones, as a result of events in Norway, Sweden and Finland.

The banks' 1991 results are not expected to be exciting. While securities trading business should provide a cushion, loan-loss provisions are still high; and, as a new departure, the Danish financial sector authorities have asked the banks to keep a careful watch on the quality of their loan portfolios, and on the level of their loss provisions.

It was a bad year for the insurers, which showed up in the index for investment and property companies, where the holding companies controlling the Baltica, Hafnia and Topdanmark insurance companies are listed. The index fell by 14.3 per cent.

Hafnia's and Baltica's shares have been affected by Hafnia's (unsuccessful) attempt to gain control of Baltica Holding, and Hafnia's bid, together with Norway's UNI Storebrand, to gain control of Sweden's Skandia. The considerable financial costs of these two ventures will help to push Hafnia into the red for 1991.

SOUTH AFRICA

JOHANNESBURG closed generally firmer in thin trading. The JSE index rose 23 to 3,690 while the all-gold index put on 26 to 1,314. Industrials gained 23 to 4,514. Vaal Reefs put on R4.50 to R228.50 as world gold prices firmed to $357 an ounce.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 11 1992								MONDAY FEBRUARY 10 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	144.88	+2.1	119.23	116.17	119.80	128.14	+1.5	4.31	141.93	115.24	113.67	115.89	126.28	160.31	112.74	130.10
Austria (20)	180.66	−0.4	148.68	144.87	149.39	148.01	+0.7	1.94	181.38	147.27	145.27	148.10	147.93	222.37	158.86	200.35
Belgium (46)	141.85	−1.4	116.74	113.73	117.29	114.56	−0.1	5.14	143.91	116.85	115.25	117.50	114.63	151.20	118.04	148.23
Canada (115)	136.64	−0.8	112.45	109.56	112.98	116.90	−0.4	3.16	137.76	111.85	110.32	112.47	117.36	144.28	126.49	139.04
Denmark (36)	261.76	−1.8	215.42	209.89	216.45	219.39	−0.6	1.63	266.61	216.47	213.53	217.68	220.65	273.94	217.74	260.21
Finland (15)	88.54	−1.2	72.87	71.00	73.22	80.60	+0.2	2.63	89.62	72.76	71.78	73.17	80.43	125.15	78.32	105.45
France (108)	151.86	−1.4	124.98	121.78	125.56	129.17	−0.1	3.68	153.96	125.01	123.30	125.70	129.33	154.70	119.11	143.69
Germany (65)	120.60	−1.0	99.25	96.71	99.72	99.72	+0.3	2.32	121.79	98.88	97.55	99.44	99.44	125.35	94.15	119.90
Hong Kong (55)	194.44	−1.2	160.02	155.91	160.79	193.42	−1.1	3.92	196.74	159.74	157.57	160.65	195.65	196.74	119.62	137.92
Ireland (18)	169.34	−0.9	139.36	135.78	140.02	142.15	+0.2	3.59	170.88	138.75	136.86	139.52	141.80	182.46	132.88	160.54
Italy (77)	78.35	−1.2	64.48	62.82	64.78	70.07	+0.0	3.29	79.32	64.40	63.52	64.76	70.07	88.23	64.78	82.68
Japan (473)	125.13	−0.1	102.98	100.33	103.48	100.33	+0.0	0.85	125.28	101.72	100.33	102.30	100.33	146.97	118.23	143.37
Malaysia (68)	243.75	−0.1	200.60	195.44	201.55	244.69	+0.1	2.69	243.91	198.04	195.33	199.14	244.42	247.78	189.16	221.18
Mexico (18)	1589.26	+2.3	1307.92	1274.33	1314.16	5324.05	+2.3	0.98	1553.63	1261.60	1244.45	1268.70	5204.50	1589.26	534.45	601.79
Netherland (31)	154.17	−1.0	126.88	123.62	127.49	126.03	+0.3	4.29	155.66	126.38	124.66	127.10	125.64	156.48	126.70	149.33
New Zealand (14)	45.27	+0.8	37.26	36.31	37.44	44.42	+0.7	6.19	44.93	36.48	35.98	36.68	44.09	54.64	41.18	52.31
Norway (24)	178.83	−1.0	147.17	143.40	147.88	151.28	+0.1	1.77	180.69	146.71	144.72	147.54	151.08	223.24	157.08	212.42
Singapore (38)	226.34	−0.1	186.28	181.49	187.16	169.71	+0.3	2.06	226.61	183.99	181.49	185.03	169.12	228.43	151.63	180.24
South Africa (61)	241.49	−0.6	198.74	193.63	199.68	184.56	+0.3	2.69	242.89	197.21	194.52	198.31	184.03	271.99	173.00	195.07
Spain (52)	159.68	−0.2	131.41	128.04	132.04	120.97	+0.9	4.58	159.98	129.89	128.13	130.62	119.92	171.12	131.51	161.49
Sweden (25)	183.22	−0.6	150.79	146.92	151.51	156.64	+0.7	2.85	184.26	149.61	147.58	150.45	155.62	204.12	146.60	181.10
Switzerland (59)	102.59	−0.8	84.43	82.27	84.85	90.57	+0.6	2.21	103.42	83.97	82.84	84.46	90.02	104.22	82.17	96.84
United Kingdom (233)	182.20	−1.4	149.94	146.08	150.64	149.94	−0.1	4.85	184.78	150.03	147.97	150.86	150.03	187.44	158.27	180.30
USA (523)	168.76	+0.0	138.89	135.33	139.58	168.76	+0.0	2.89	168.80	137.05	135.20	137.83	168.80	171.86	125.95	147.97
Europe (809)	148.15	−1.2	121.93	118.80	122.51	122.89	+0.1	3.95	149.93	121.74	120.08	122.43	122.76	151.52	125.50	146.33
Nordic (100)	183.44	−1.2	150.97	147.09	151.69	149.83	+0.0	2.16	185.71	150.78	148.73	151.63	149.81	200.81	155.55	186.27
Pacific Basin (717)	127.91	−0.1	105.27	102.57	105.77	103.84	+0.0	1.18	127.99	103.92	102.51	104.51	103.81	145.92	117.86	142.33
Euro−Pacific (1526)	136.30	−0.6	112.17	109.28	112.70	112.17	+0.1	2.38	137.05	111.28	109.76	111.90	112.10	147.66	121.29	144.32
North America (638)	166.72	−0.1	137.21	133.70	137.88	165.24	+0.0	2.90	166.82	135.45	133.62	136.23	165.30	169.69	125.81	147.33
Europe Ex. UK (576)	127.41	−1.0	104.85	102.18	105.38	107.13	+0.2	3.23	128.74	104.53	103.12	105.14	106.89	129.80	103.58	125.60
Pacific Ex. Japan (244)	155.35	+0.4	127.85	124.59	128.47	139.10	+0.2	3.84	154.78	125.67	123.98	126.39	138.79	155.35	111.40	129.30
World Ex. US (1720)	138.37	−0.5	113.88	110.96	114.42	114.37	+0.1	2.40	139.12	112.95	111.42	113.59	114.28	148.16	122.32	144.91
World Ex. UK (2010)	144.28	−0.2	118.74	115.70	119.32	129.23	+0.0	2.31	144.58	117.40	115.81	118.07	129.18	150.58	120.06	141.36
World Ex. So. Af. (2182)	146.98	−0.3	120.96	117.87	121.55	130.72	+0.0	2.59	147.47	119.74	118.12	120.42	130.68	153.05	122.92	144.51
World Ex. Japan (1770)	160.83	−0.4	132.36	128.97	133.01	148.74	+0.0	3.30	161.52	131.14	129.37	131.90	148.67	161.90	126.69	147.00
The World Index (2243)	147.58	−0.3	121.46	118.34	122.04	131.21	+0.0	2.59	148.08	120.23	118.60	120.92	131.16	153.70	128.28	144.81

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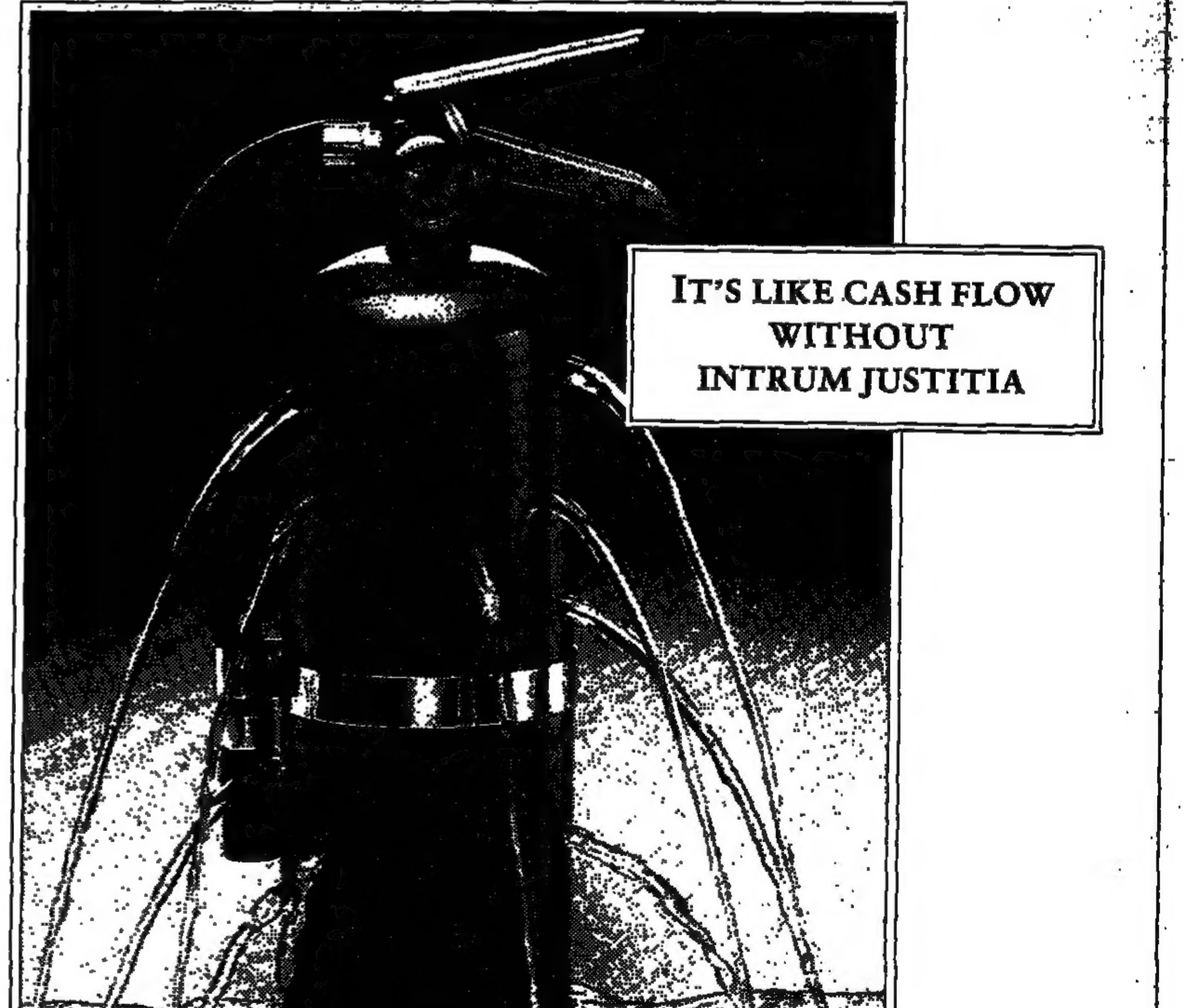
Latest prices were unavailable for this edition. Japanese market closed February 11.



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INKASSO FOR EUROPE

EUROPEAN HEAD OFFICE, WORLD TRADE CENTRE, STRAWINSKYLAAN 1013 NL-1077 XX AMSTERDAM,
TEL +31 20 671 11 16, FAX +31 20-6644036.